

PDBBP 419

CLASSIFICATION:

AID 1120-1 PAAD	AGENCY FOR INTERNATIONAL DEVELOPMENT PROGRAM ASSISTANCE APPROVAL DOCUMENT	1. PAAD NO. 685-0290 (685-K-607)	
		2. COUNTRY SENEGAL	
		3. CATEGORY Dollar Disbursement Structural Adjustment Program Grant (ESF-VI)	
		4. DATE October 30, 1988	
5. TO:	S.J. Littlefield, Director USAID/Senegal	6. OVS CHANGE NO.	
7. FROM:	Harold Lubell Program Officer	8. OVS INCREASE	
9. APPROVAL REQUESTED FOR COMMITMENT OF: \$9,700,000		10. APPROPRIATION - 72-118/91037	
11. TYPE FUNDING <input type="checkbox"/> LOAN <input checked="" type="checkbox"/> GRANT	12. LOCAL CURRENCY ARRANGEMENT <input type="checkbox"/> INFORMAL <input checked="" type="checkbox"/> FORMAL <input type="checkbox"/> NONE	13. ESTIMATED DELIVERY PERIOD June 30, 1990	14. TRANSACTION ELIGIBILITY DATE October 30, 1988
15. COMMODITIES FINANCED			

16. PERMITTED SOURCE	17. ESTIMATED SOURCE
U.S. only: _____	U.S.: \$9,700,000
Limited F.W.: _____	Industrialized Countries: _____
Free World: _____	Local: _____
Cash: \$9,700,000	Other: _____

18. SUMMARY DESCRIPTION

A Structural Adjustment Program Grant in an amount not to exceed nine million seven hundred thousand U.S. dollars (\$9,700,000) to the Republic of Senegal, subject to the conditions, covenants and other terms set forth in this PAAD, is authorized out of the Economic Support Fund. The purpose of this Program Grant is to assist Senegal to maintain economic and political stability while promoting structural and agricultural reforms needed to redress the underlying problems of the economy.

The \$9,700,000 will be a cash transfer to provide direct budgetary support to the Government of Senegal (GOS). Disbursement of the Cash transfer may be made to the GOS account at Citibank, New York, in two tranches of \$5,000,000 and \$4,700,000 respectively.

An additional amount of \$300,000 for studies and technical assistance in support of structural adjustment measures being undertaken by the GOS is being authorized separately.

Concurrence USAID Legal Controller: Walsh TW

19. CLEARANCES	DATE	20. ACTION
REG/DP _____	_____	<input checked="" type="checkbox"/> APPROVED <input type="checkbox"/> DISAPPROVED
REG/GC _____	_____	NOV 29 1988
AA/PFL _____	_____	<i>[Signature]</i>
M/EM _____	_____	AUTHORIZED SIGNATURE
M/SER/CGM _____	_____	DATE
AA/PRE _____	_____	TITLE
RLA <i>EAD</i>	11/10/88	
RCON <i>12w</i>	11/17/88	

CLASSIFICATION:

Local currency uses will be decided upon jointly by USAID and the GOS. Such uses will be selected from activities that affect the performance criteria in the IMF-Ministry of Finance financial operations table (TOF). The basic principle for selection is that the local currency will reduce the Government of Senegal's arrears to the private sector.

If required, waivers will be requested on a case-by-case basis.

The following conditions precedent and special covenants will in substance be included in the Program Grant Agreement.

1. Standard Conditions Precedent to Release of First Tranche

The GOS will furnish to A.I.D., in form and substance acceptable to A.I.D., the standard documentation dealing with the required GOS legal opinion, specimen signature, bank account number, and identification of authorized GOS representatives.

2. Other Conditions Precedent to Release of the First Tranche

Prior to release of the first tranche of \$ 5.0 million of the ESF-VI cash transfer, the Grantee will fulfil the following conditions:

a. Continued Functioning of GOS-USAID Working Group on Policy Reform

The Grantee will provide confirmation that the procedure will continue in force for holding quarterly meetings between USAID and the concerned ministries of the GOS to discuss formulation and implementation of structural reform.

b. Reducing the Net Drain of Agro-Industry on the GOS Treasury

i. Maximizing Perequation on Wheat Imports

With a view to maximizing the positive perequation received by the GOS, the Grantee will provide evidence that

(1) full payment of the perequation on wheat purchased in 1987 and 1988 to date has been made;

(2) the current agreement with the millers will be terminated before October 31, 1988 and negotiations on a new agreement will be undertaken. The new agreement will specify that: (a) wheat imported commercially into Senegal, for delivery after November 1, 1989, will be acquired through a process of public international tender conducted or supervised by the CPSP; (b) the lowest qualified bidder fulfilling the conditions of the tender under this process will be awarded the contract; (c) the perequation on wheat imports will be calculated on the basis of the awarded contract price; (d) the perequation will be paid when the wheat is taken from the port of Dakar, either in cash or

by a bank draft payable in ninety (90) days. The Grantee will make available to USAID, after the wheat is taken from the port of Dakar, all documents that demonstrate that all of the wheat perequation due has been collected in accordance with (a) through (d) above, within the required time limit.

(3) Since the terms of the current agreement will be operative until October 31, 1989, in the interim (November 1, 1988 - October 31, 1989) (a) the reference price for calculating the perequation on wheat imports will be set on the basis of the lowest world price taking into account all subsidies provided by the exporting countries; and (b) the CPSP will widen the range of its consultations to the greatest extent possible, in order to ensure adequate coverage of wheat exporters.

ii. Reducing Agricultural Sector Deficits

(1) The GOS will provide to USAID the preliminary results of the SONACOS audit and peanut sector study financed by the CCCE.

(2) The GOS will provide to USAID the results of the Arthur D. Little audit of the Compagnie Sucrière Sénégalaise (CSS) carried out for the GOS.

(3) The third SAED Lettre de Mission will be adopted by the GOS with the approval of the donors and will have been signed by SAED and the GOS.

c. Increasing the Efficiency of Resource Allocation in the Agriculture Sector

i. Clarification of Rice Policy

(1) The GOS will agree to carry out an official review of its rice policy in the light of the consultant's report prepared under the terms of ESF-V, the agricultural price and incentives study by SEDES financed by the World Bank and the Caisse Centrale de Coopération Economique (CCCE), and the November 1987 review of the rice import privatization experiment of March-June 1987, and the recent presidential decision to lower the consumer price of rice.

As part of the review, the GOS will make explicit and will try to reconcile the competing objectives of its current price policy, among them: protection of and incentives to local production of cereals (coarse grains and rice); social impact; market liberalization; and alleviation of the GOS budget situation.

(2) The GOS will prepare the terms of reference for a study (to be financed by USAID under ESF-VI) to examine the modalities and timing for the disengagement of SAED from the milling and marketing of rice in the Senegal River Valley, as an incentive to increased paddy production and acceleration of privatization.

ii. Encouraging Private Sector Agro-Industry

(1) The GOS will prepare and present to USAID the terms of reference for a study of ways to expand private sector agro-industry in the Senegal River Valley. Such a study will take account of other on-going research related to this topic. The study will be funded under ESF-VI.

(2) The GOS and SAED will establish a timetable for withdrawal of SAED from credit programs in the Senegal River Valley in favor of the Caisse Nationale de Crédit Agricole Sénégalaise (CNCAS) and other participating banks in the context of the third SAED Lettre de Mission.

3. Conditions Precedent to Release of Second Tranche

Prior to release of the second tranche of \$4.7 million of the ESF-VI cash transfer, the Grantee will fulfil the following conditions:

a. Continued Functioning of GOS-USAID Working Group on Policy Reform

USAID/Senegal and the GOS will hold at least one quarterly meeting on policies related to structural adjustment after release of the first tranche of ESF-VI.

b. Reducing the Net Drain of Agro-Industry on the GOS Treasury

i. Maximizing Perequation on Wheat Imports

The Grantee will provide evidence that:

- (1) the perequation on wheat purchased in CY 1988 has been fully paid.
- (2) the GOS has negotiated with the millers a new agreement containing the points noted in Section 2.b.i.(2) above;
- (3) the reference price for the perequation on wheat imports for the period November 1, 1988 - October 31, 1989 has been determined according to the procedure described in Section 2.b.i.(3) above. USAID will independently verify the international price quotations on which the reference price was set.

ii. Reducing Agricultural Sector Deficits

(1) The GOS will confirm its timetable for progressive reduction and elimination of the subsidy for treatment of peanut seeds, namely (in billions of CFAF): 1986/87: 1.0; 1987/88: 0.5; 1988/89: 0.3.

(2) The GOS will approve and begin implementation of its action plan for renegotiating the special agreement with SONACOS, in light of the audit and study financed by the CCCE mentioned in section 2.b.ii(1) above.

(3) The GOS will review the conclusions of the A.D. Little audit of the CSS mentioned in Section 2.b.ii(2) above and will prepare an action plan for the CSS.

c. Increasing the Efficiency of Resource Allocation in the Agriculture Sector

i. Clarification of Rice Policy

(1) The GOS will prepare and present to USAID a policy statement on rice following the formal review specified in section 2.c.i(1) above.

(2) On the basis of the study referred to in section 2.c.i(2) above, the GOS will present to USAID recommendations on modalities and timing for the disengagement of SAED from the milling and marketing of rice in the Fleuve Region.

ii. Encouraging Private Sector Agro-Industry

(1) The GOS will prepare an action plan for encouraging expansion of private sector agro-industry in the Senegal River Valley identified in the study specified in Section 2.c.ii(1) above.

(2) The GOS will present to USAID/Senegal confirmation of initial implementation of the CNCAS plan for replacing the agricultural credit function of SAED in the Senegal River Valley according to the timetable cited in section 2.c.ii(2) above.

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Abbreviations and Acronyms

AEPRP	Africa Economic Policy Reform Program
BCEAO	Banque Centrale des Etats de l'Afrique de l'Ouest
CPSP	Caisse de Péréquation et de Stabilisation des Prix
CCCE	Caisse Centrale de Coopération Economique (French aid fund)
CFAF	CFA franc (monetary unit of the West African Monetary Union) <u>1/</u>
CSS	Compagnie Sucrière Sénégalaise
ECPR	Executive Committee Project (Program) Review
ESF	Economic Support Fund
IBRD	International Bank for Reconstruction and Development
IMF	International Monetary Fund
ISRA	Institut Sénégalais de Recherches Agricoles
GDP	Gross domestic product
ONCAD	Office National de Coopération et d'Assistance pour le Développement
PFP	Policy Framework Paper
RDA	Rural Development Agency
SAED	Société d'Aménagement et d'Exploitation des Terres du Delta et des Vallées du Fleuve Sénégal et de la Falémé
SAR	Société Africaine de Raffinage
SDR	Special drawing rights (IMF)
SEIB	Société Electrique et Industrielle de Baol
SODAGRI	Société de Développement Agricole
SONACOS	Société National de Commercialisation des Oléagineux du Sénégal
WAMU	West African Monetary Union

1/ Current exchange rate is between CFAF 275 and CFAF 285 per US\$.

I. Executive Summary

A. Amount, Grantee, Purpose, and Overall Objective

USAID/Senegal recommends authorization of an Economic Support Fund Structural Adjustment Grant (ESF-VI) of \$10,000,000 to the Republic of Senegal. Of the grant, \$9,700,000 will be in the form of a cash transfer for budgetary support to be released in two tranches of \$5,000,000 and \$4,700,000 when conditions precedent to each tranche are met; and \$300,000 will be reserved to support the identification and selection of policy options related to the purpose of the grant.

The purpose of the grant is to help the GOS to attain economic growth and maintain political stability while promoting a package of structural adjustment measures related to cereals policy and the reduction of price subsidies arising from GOS commitments to support agro-industry (particularly sugar and peanuts). The overall objective of the program is to improve the management of structural economic reform through (a) maximizing resources due to the GOS Treasury and (b) increasing the efficiency of resource allocation in the agriculture sector.

B. Program Summary

Managing an effective policy dialogue with the GOS on the sensitive economic reform issues we have chosen requires a delicate balance between explicit conditionality, informed analyses, and credible advice. Our ESF program represents far more than a few policy conditions and budget support. Rather it is the formal vehicle for an on-going policy dialogue between the President and the Ambassador, the USAID Director and the ministers of Plan, Finance and Rural Development, between USAID senior staff and GOS policy experts, in a multi-donor and democratic setting that provides positive reinforcement to, as well as pressure on, the GOS to undertake reforms. The high stakes policy reform effort we are supporting in Senegal requires continuity, sensitivity, and flexibility to support the coalition of policy reformers within the GOS. The test of the ESF program lies in the impact it has had on the program's objectives. In our view, we have made a significant impact.

While it may sometimes look as if studies and policy statements are the end product of our efforts, in reality, major progress has been made in several sensitive areas. Rice imports have declined absolutely as well as relatively. For the first time ever, SONACOS and CSS are being scrutinized by independent auditors. GOS policy is turning to the semi-industrial milling of coarse grains, and bakeries are being stimulated, although not forced, to mix millet flour with wheat flour to produce a new variety of bread which is a tasty alternative to the French-style baguette. Through U.S. pressure, the GOS last year for the first time received its due from the millers on wheat imports (CFAF 5.3 billion for the budget in CY 1987 after the GOS authorized a reduction in the price of bread), and we plan to keep up the pressure.

As stated in the ESF-V PAAD (p. 3), the Mission's objectives for the program were (1) to support development of cereals production by containing demand for rice imports (in the face of a growing population) through price restraints on demand and encouragement of millet production; and (2) to reduce or eliminate the financial drain on the GOS Treasury of price subsidies arising from GOS commitments to support agro-industry (sugar and peanuts). In most cases, studies have played an essential role in defining policy parameters.

The results of the February 28, 1988 general elections in Senegal have high-lighted the well-known political dilemma of a government that implements stabilization and structural reform measures: the people who pay the cost of the reforms by having to reduce their living standards or by losing their jobs are discontent, and consequently they tend to vote against the government in a democratic election, or to take to the streets when the electoral safety valve does not exist or is insufficient to release social tensions. In Senegal, the thrust of structural adjustment has been to shift income from urban consumers to agricultural producers by taxing rather than subsidizing rice (the major urban foodstuff), by eliminating other consumer subsidies, and by increasing procurement prices for peanuts and coarse grains - at great cost to the GOS Treasury. The election results and post election disturbances have prompted the Government to pay closer attention to the social costs of its reform program and to reduce certain consumer prices, while maintaining its commitment to economic reform.

Senegal's record has been consistent in adopting and initiating implementation of policy reforms agreed to at the Consultative Group (CG) meeting of December 1984 and reconfirmed at the second CG meeting of March-April 1987, although further advances are needed. USAID/Senegal continues to be favorably impressed with the overall pace of reforms, and we are satisfied with the progress made by the GOS in the areas covered by ESF-V conditionality. The reforms we are backing with our ESF program, with PL 480 Title I, and with our Agricultural Production Support project are consistent with the revised World Bank/IMF policy framework paper and with the policy prescriptions attached to the World Bank's SAL-III.

ESF-VI is the third year of a three-year program in support of Senegal's structural adjustment efforts in agriculture. ESF-V maintained the overall concept of the program as set out for ESF-IV but narrowed the focus to four key themes of major concern: improving policy reform management; damping consumption of imported rice; reducing charges on the GOS budget that result from agricultural sector deficits; and encouraging private sector agro-industry. On the whole, we have been quite successful in implementing the program established for ESF-V, and we are retaining the tighter focus for ESF-VI, with a change in emphasis away from constraining consumption of imported rice. The policy themes have been reformulated for ESF-VI as follows: continued functioning of the GOS-USAID Working Group on Policy Reform; maximizing resources due to the GOS Treasury; and increasing the efficiency of resource allocation in the agriculture sector.

In the past year, we "institutionalized" our policy dialogue with the GOS on structural adjustment by establishing a formal system of quarterly meetings of a USAID-GOS working group on policy reform. These working-level meetings have been professional, frank, and extremely useful in stimulating a two-way flow of information and ideas.

The studies commissioned as elements of ESF-V conditionality and funded out of the studies and technical assistance component of the grant will be particularly valuable as inputs to the policy dialogue, both because the reports produced are timely and policy relevant and because several of the key GOS members of the working group on policy reform participated fully in the formulation of the studies and now have a vested intellectual vested interest in the results.

In the context of our three-year ESF program, FY 1987 was a year for consolidation of earlier reforms, as well as for carrying out studies needed to deepen our understanding of the factors involved in policy reform and to clarify our views of some of the key issues involved. Our main concerns for FY 1988, the period covered by ESF-VI, are (a) maximizing resources due to the GOS Treasury by maximizing the perequation payable by the millers on wheat imports and by reducing agriculture sector deficits; (b) increasing the efficiency of resource allocation in the agriculture sector by clarifying GOS rice policy, by encouraging small and medium scale private sector agro-industry, and by encouraging crop diversification; and (c) continued functioning of the GOS-USAID working group on policy reform.

Since the design of ESF-V, a revised GOS/World Bank/IMF Policy Framework Paper (PFP) has been formulated to guide the policy reform process. The PFP serves as the basic program justification for Senegal's allocation out of the IMF-World Bank structural adjustment facility. The PFP encompasses two key strategies: the promotion of private sector initiative through appropriate pricing and other incentive policies, particularly in agriculture and industry, coupled with a progressive withdrawal of the government and public agencies from direct involvement in production activities; and the achievement of greater efficiency in public resource management through improvements in the allocation and implementation of public investments, reform of the public enterprise sector, and strengthening of government finances. The PFP contains a detailed list of reforms across several sectors and sub-sectors.

The basic policy statement governing agricultural reform is still the donor-approved GOS Cereals Plan of June 1986 which spells out a sub-sector strategy for encouraging expanded, more diversified local cereals production and consumption through producer incentive floor pricing, liberalized private trading, and a protective tax on imported rice. As the state withdraws from direct productive activities, farmers will be responsible for their own decisions and production costs.

It is in this setting that we continue to target ESF-VI program assistance on reforms related to the New Agricultural Policy and the Cereals Plan. ESF-VI builds on the studies carried out for USAID/Senegal under ESF-V as well as studies commissioned by the GOS with funding from the World Bank, the

French Caisse Centrale de Coopération Economique (CCCE), or the GOS's own budget. Our conditionality focuses on the three themes mentioned above. We expect to continue holding quarterly meetings of the USAID-GOS working group on policy reform. With respect to maximizing resources due to the GOS Treasury and reducing agricultural sector deficits, we are pushing for an open, competitive wheat import system and improved collection of perequation due, and for clarification of GOS policy toward the peanut oil processing company (SONACOS), the sugar company (CSS), and SAED. With respect to increasing the efficiency of resource allocation in agriculture, we are pushing the GOS (a) to arrive at a coherent policy concerning rice prices, imports and production, (b) to accelerate the privatization of rice milling and marketing in the Senegal River Valley, and (c) to encourage the development of private sector agro-industry in the Senegal River Valley.

C. Conditions for Disbursement

The \$10,000,000 ESF-VI structural adjustment grant is provided to the GOS to support implementation of the policy reforms outlined above and described in more detail in Section V.A below. Disbursement of the \$9,700,000 cash transfer in two tranches will be subject to the conditions precedent described in detail in Section V.B below. The \$300,000 reserved for the identification and selection of policy options will be used for direct payment by USAID of costs associated with relevant studies and technical assistance in consultation with the GOS.

ESF-VI conditionality is complemented by the self-help measures proposed for the FY 88 or FY89 PL 480 Title I sales agreement and the conditionality attached to our Agricultural Production Support project, all of which directly support implementation of the Cereals Plan.

D. Program Mechanism

The cash transfer of \$9,700,000 will be converted to CFAF at the rate of exchange prevailing at the time of transfer of each of the two tranches of \$5,000,000 and \$4,700,000 for deposit to a special account at the Banque Centrale des Etats de l'Afrique de l'Ouest (BCEAO). Disbursement will be made from this special account only with USAID concurrence and for purposes jointly agreed upon by USAID and the GOS.

Subject to the availability of funds and mutual agreement of the GOS and USAID to the terms and conditions set forth in this Program Assistance Approval Document (PAAD), the cash transfer will be disbursed to the GOS in two tranches of \$5,000,000 and \$4,700,000 upon fulfilment of conditions precedent described below and specified in the Program Grant Agreement.

The Ministry of Economy and Finance will act as the principal implementing agency.

Concurrent with the signature of the Program Grant Agreement covering the \$9,700,000 cash transfer, a Grant Agreement (Short Form) will be signed with the GOS in the amount of \$300,000 for direct payment by USAID of the foreign

exchange and local currency costs associated with studies and technical assistance related to the purposes of the structural adjustment grant.

E. Local Currency Uses

Local currency uses will be decided upon jointly by USAID and the GOS. Such uses will be selected from activities that affect the performance criteria in the IMF-Ministry of Finance financial operations table (TOF). The basic principle for selection is that the local currency will reduce the Government of Senegal's arrears to the private sector.

F. Technical Assistance and Studies

Of the \$10,000,000 ESF-VI grant, \$300,000 will be set aside to support the policy studies called for in the conditionality.

II. Mission Objectives

The overall objective of this ESF structural adjustment grant is to improve the management of structural economic reform in Senegal, with two major subsidiary objectives.

The first subsidiary objective is to reduce or eliminate the financial drain on the GOS Treasury of the operations of two major sub-sectors of agro-industry, namely peanut processing and sugar refining, and to maximize the positive perequation received by the GOS Treasury from commercial wheat imports.

The second is to increase the efficiency of resource allocation in the agriculture sector in the context of the agricultural reform outlined in the GOS's New Agricultural Policy of April 1984 and its Cereals Plan of June 1986. For USAID, the ESF grant is part of a package that includes the Agricultural Production Support project, the Irrigation and Water Management II (Bakel) project, the Southern Zone Water Management project, technical assistance to the cowpea processing project, and support to the Senegalese Institute for Agricultural Research (ISRA).

A continuing institutional objective is to develop further our structured framework for the policy dialogue between the Mission and the GOS through the GOS-USAID working group on policy reform.

III. Current Economic Situation

A. Gross Domestic Product

In 1987, GDP rose by 7.5 percent (see Annex 1, Table 1), reflecting an increase in real (constant price) terms of 4.0 percent and an overall price inflation of 3.4 percent.

Of the major productive sectors, agricultural production has fallen in drought years and more-or-less recovered in subsequent years of adequate

rainfall. Following the severe drought in 1984, agricultural production did well in 1985, 1986 and 1987 when rainfall was adequate although uneven and there was a positive response to policy changes.

Industrial output has been stagnating over the medium term but picked up during the early part of 1987 (see Annex 1, Tables 2 and 3). Mining output rose from 1983 to 1986 but at a slower rate each year and declined in early 1987. Production of the peanut oil crushing mills recovered slightly in 1985 from the drop in 1984, and rose sharply in 1986 and 1987. Other industrial output reacts to fluctuations in agriculture both in response to the availability of supply of inputs from agriculture into industrial processing and in response to consumer demand generated by agricultural incomes. Production of the leather and textile industries rose in 1987, as did production of the metal industries. The initial effects of import tariff reductions and removal of quantitative restrictions implemented in July 1986 have so far not been seriously disadvantageous to local industrial production.

B. Agricultural Production

After the severe fall in agricultural production in 1984/85, the last three crop years, 1985/86, 1986/87, and 1987/88, have been relatively good (see Annex 1, Table 4). Agricultural output results were poor in the 1984/85 crop year because of a severe drought in 1984. Millet and sorghum production rose sharply to 950,000 MT in 1985/86 and held at high levels in 1986/87 (634,000 MT) and 1987/88 (769,000 MT) because of adequate rains in most parts of Senegal and because of two major policy changes: (a) removal of restrictions on in-country movement of cereals; and (b) setting of a floor price for procurement of cereals (millet, sorghum, and maize). The floor price for millet was maintained in many areas despite the good size of the crop. Peanut production was mediocre (600,000 MT) in 1985/86 but spectacularly high in 1986/87 (845,000 MT) and 1987/88 (963,000 MT). Sales to the oil mills for crushing came to 612,000 MT in 1986/87 and to 665,000 MT in 1987/88. Cowpeas made a spectacular entry as a major crop in 1985/86 but production declined in 1986/87 and 1987/88 as a result of difficulties in marketing and storage. In 1987 there was no recurrence of the previous year's grasshopper attacks.

The high level of deliveries of peanuts to the oil crushing mills is costly to the GOS in terms of effective subsidies on exports of peanut products. The deficit on the peanut crop is being covered in part by allocation of the STABEX loan to the GOS's Peanut Guaranty Fund and partly by SONACOS.

Maize production is growing steadily. Cowpeas have a great potential once problems of storage and marketing are resolved. Production of rainfed rice in Casamance and irrigated rice in the Senegal River basin is also growing steadily.

Sugar cane production at Richard Toll in the Senegal River basin in 1986/87 was close to the 700,000 MT needed to supply the entire input for the production of refined sugar by the French-owned Compagnie Sucrière Sénégalaise

(CSS), which came to about 70,000 MT in 1986/87. However, production costs are extremely high and the CSS runs increasingly heavy deficits despite domestic refined-sugar prices three times the world price. The subsidy to the CSS through the CPSP was ended as of November 1987 but the CPSP has to pay off cumulative claims arising from previous deficits of the CSS that came to CFAF 9.0 billion net of taxes owed to the GOS by the CSS. On 7/31/87, the GOS reimbursed CFAF 6.0 billion. Of the remaining CFAF 3.0 billion, CFAF 1.5 billion will be paid in March 1988 and the final CFAF 1.5 billion in March 1989.

C. World Price Changes and Senegal's Balance of Payments

Declines in world price levels have affected Senegal's balance of payments and budgetary situations both positively and negatively. On the positive side, the costs of Senegal's imports were reduced in 1985/86 and 1986/87 by declines in petroleum prices, in rice and wheat prices, and in the U.S. dollar exchange rate. These price declines helped reduce the balance of payments deficit and had positive effects on the GOS budget through increased profits accruing to the oil refinery (SAR) and positive perequations accruing to the CPSP. The partial recovery of petroleum prices and the rise in the world rice price in 1987 have reduced some of these benefits for 1987/88. On the negative side, the fall in the prices of Senegal's main exports, peanut products and phosphates, has reduced export receipts and increased the peanut sector's claims on the GOS budget.

According to preliminary estimates of Senegal's balance of payments for 1986/87 and projections for 1987/88 (see Annex 1, Table 5), both exports and imports are projected to rise in 1987/88 in dollar terms, but the trade deficit is projected to fall by 11 percent, from -\$234.4 million in 1986/87 to -\$209.2 million in 1987/88. Net invisibles (before rescheduling of interest on public debt) are projected to turn positive. Net services are projected at -\$246.6 million. Net transfers (before rescheduling of amortization due on public debt) are projected at \$255.1 million, including \$9.4 million of private transfers (mostly emigrant remittances). With a positive balance on capital account of \$212.8 million, the overall positive balance before debt rescheduling is projected at \$12.1 million. After debt rescheduling, the projection for the overall balance is positive, at \$97.1 million.

The commodity composition of imports is shown in Annex 1, Table 6 and of exports in Annex 1, Table 7.

D. Public Finance Situation

As usual, the GOS had a hard time meeting each end-of-quarter target for performance criteria in 1986/87 in the IMF financial operations table (TOF) for Senegal. However, shortfalls on domestic receipts targets through June 30, 1987 were compensated by last minute inflows from donors. A new 12-month IMF stand-by was authorized for the period November 1987-October 1988 supplemented by a structural adjustment facility advance. The performance criteria for the first three quarters of 1987/88 (through 3/31/88) have been met. The most recent projections for the TOF are shown in Annex 1, Table 8.

Domestic receipts increased in FY 1986/87 by 14.8 percent over the previous year's level (see Annex 1, Table 5). Import taxes recovered from their low level of 1985/86 and exceeded the level of 1984/85. In 1985/86 importers had postponed new imports and clearance of goods already held in the port in expectation of the reduction in customs tariffs rates announced in July 1986. After July 1986, official imports and import taxes recorded a sharp jump. Import taxes have continued to rise despite the reduction in rates and a further increase is projected for 1987/88.

Current operating expenditures of the GOS were held pretty much in line with targets, by more-or-less holding the line on government employment and salary rates and by choking off current purchases of supporting goods and services. Arrears on payments due to local suppliers have been reduced.

Of particular interest to USAID and the other donors are the budget surpluses resulting from imports of petroleum, rice, wheat, and vegetable oil, and the deficits on peanut product exports and on the CSS sugar operation, since GOS budget shortfalls intensify the urgency of GOS requests for donor assistance.

The fall in world petroleum prices had provided a windfall profit to the GOS-owned SAR refinery estimated at CFAF 45 billion (\$136 million at CFAF 300 per U.S.\$) in 1986/87. In 1987/88, the SAR's profit will be reduced to a projected CFAF 36 billion (\$130 million at CFAF 275 per U.S. dollar) both by the partial recovery in world petroleum prices and by the GOS decision to pass on reduced oil product prices to the big industrial consumers of energy, in particular the ICS fertilizer plant and the phosphate producers, after July 1987.

Because of the relatively low world price for rice and the high administered internal consumer price for rice in Senegal, rice imports have resulted in a positive perequation through the CPSP of some CFAF 20 billion (\$73 million) per year. The positive perequation will be reduced by some CFAF 9.0 billion per year by the reduction in the consumer price of rice announced on May 1, 1988. The positive perequation is a boon for the GOS Treasury but it nevertheless raises some problems:

- The price margin still provides a major incentive for smuggling (re-exports of rice imported into The Gambia).

- With the consumer price of rice at CFAF 130/kg, the total tax on imported rice (custom duties plus positive perequation) comes to 43.6 percent of the c.i.f. price plus CPSP costs. Although that appears to be well above the 25 percent rate of protection for domestically produced coarse grains called for by the World Bank, processed millet was nevertheless not competitive with rice even at CFAF 160/kg because of the high cost of processing millet into flour or couscous and it is even less competitive with rice at CFAF 130/kg. Until cheaper and more efficient processing of millet is available, millet will continue to be uncompetitive with rice.

In 1985/86, the CPSP had a small positive perequation on wheat (CFAF 0.5 million), whereas in 1986/87 a much higher positive perequation on wheat (CFAF 5.0 billion) resulted from opening competition to imports from the U.S. USAID/Senegal is concerned with ensuring public international bidding procedures that maximize the positive perequation paid on wheat imports, whether or not the U.S. is the source of the wheat imported.

Imports of vegetable oil, like rice, have generated positive perequations in the CPSP. However, the positive perequation on imported vegetable oil has been used to reduce the loss of SONACOS on exports of peanut products. As noted earlier, the loss on exports of peanut products results from an increase in the procurement price for peanuts in the same year that world prices fell sharply. As shown in Annex 1, Table 10, procurement prices in Senegal were raised from CFAF 60/kg (net) in 1984/85 to CFAF 90/kg in 1985/86 while the world peanut price fell from the equivalent of CFAF 152.8/kg to CFAF 75/kg, turning a CFAF 9.1 billion surplus on exports of peanut products in 1984/85 into a CFAF 10.5 billion deficit in 1985/86. The accounting deficit of SONACOS in 1985/86 was covered in part by CFAF 6.3 billion of payments from the CPSP of arrears on past positive perequations and in part by the above-mentioned positive perequation on imported vegetable oil. In 1986/87, the world price fell again in terms of CFAF because of the sharp fall in the exchange rate of the U.S. dollar. The deficit to SONACOS on peanut exports therefore almost tripled from its 1985/86 level and reached CFAF 29.9 billion, which was covered in part by donor financing (a STABEX loan) to the GOS's newly created Peanut Guarantee Fund and partly by SONACOS. In 1987/88, the world price for peanuts is expected to recover somewhat but exports of crop year 1987/88's bumper crop is expected to generate an even larger deficit (CFAF 35 or 40 billion). The peanut procurement price announced for 1988/89 is CFAF 70/kg. The reduction in the procurement price will help reduce the peanut sector deficit.

The high cost of the CSS sugar operation at Richard Toll takes a heavy toll on Senegalese consumers, on other industrial producers (in food-processing), and on the GOS budget. The high domestic price of refined sugar represents even more of a tax on consumers than the rice price. As an industrial input, the high cost of sugar is a major impediment to the canning and processing of locally grown fruits and condiments. Refined sugar is sold at a financial loss even at the high market price, and the GOS Treasury was obliged to cover the loss by a subsidy (a negative perequation payable to the CSS from the CPSP) until November 1987 when the perequation was abolished (in exchange for the GOS Ministry of Finance's agreement to pay the accumulated negative perequation) (see Annex 1, Table 11). The milk processors get their sugar at less than half the market price, but the CPSP still bears the cost of the subsidy to them. The volume of sugar produced by the CSS averages 70,000 MT per year. Given the high price of sugar in Senegal, it is estimated that 10-15,000 MT per year of sugar is smuggled in from The Gambia. A reduction in the consumer price of sugar was another of the price changes announced by the President of Senegal on May 1, 1988.

IV. Status of GOS Structural Adjustment Program

A. GOS Programs and the Policy Framework Paper (PFP)

Senegal's structural adjustment program was set out in December 1984 in the Medium and Long Term Action Plan, which incorporated the April 1984 New Agricultural Policy. It was subsequently amplified by the New Industrial Policy statement of February 1986 and by the Agricultural Policy statement and the Cereals Plan submitted to the donors meeting on the Agricultural Sector in June 1986. A new Policy Framework Paper (PFP) was prepared in September 1986 by the GOS in conjunction with the World Bank and the IMF as the basis for the first IMF structural adjustment facility advance to Senegal; it was revised and reissued in September 1987.

The GOS has made substantial progress in implementing economic and financial adjustment measures since 1983. The economy has been progressively liberalized, agricultural incentives have been strengthened (in the case of peanuts, perhaps too much, in view of the world market situation), the overall fiscal deficit has been sharply reduced, public enterprise reform has been initiated, domestic credit expansion has been brought under control, and the external payments position has been improved. With adequate rainfall for three consecutive years and with policy reforms, economic growth has been moderate.

The PFP (p. 8) presents "a coherent set of supply-side and demand management policies designed to further reduce the macroeconomic and structural imbalances in the economy, thereby consolidating the foundations for sustainable economic growth and promoting balance of payments adjustment." It covers:

- agricultural policy reform;
- industrial policy reform;
- energy policy;
- GOS public investment programing;
- parapublic sector reform;
- fiscal policy;
- credit policy;
- external debt management.

The agricultural policy component of the PFP is of most direct concern to ESF-VI conditionality. The PFP summarizes the current state of cereals policy (on pp. 7-8 of the document) as follows:

"Under the new agricultural policy, far-reaching measures have already been implemented, and considerable progress has been made in several areas, including the promotion of domestic cereals production, the privatization of internal marketing and imports of cereals, and the decontrol of imports and marketing of agricultural inputs. Additional measures are now needed to complete the reforms underway and consolidate their results. Accordingly, agricultural policy reform will continue to receive high priority, with a view to expanding and diversifying domestic production, thereby increasing exports

and curbing reliance on imports, especially of rice. Also, the Government will further reduce its intervention in the sector through privatization and [will] gradually eliminate subsidies.

"To promote food security, the Government will continue to implement the strategy for the development of domestic cereals production as set out in the Cereals Plan that was adopted in July 1986. With the abandonment of the past practices of rigid pricing and trading arrangements, economic factors will be the key elements in determining producer prices of cereals. These prices are now being treated as floor prices, and will be supported on a limited scale, if necessary and in accordance with available resources, through the Food Security Commission (CSA). However, the role of the CSA is being reviewed to ensure that its interventions in the cereals markets are cost-effective and do not hamper the development of private sector trading in these markets. A study on agricultural prices and other incentives will be conducted by consultants to help the Government prepare an action plan regarding the determination of producer prices... During the program period, the retail price of rice will be maintained at a level that will continue to provide local cereals with enough of a differential to stimulate demand of comparable products based on domestic coarse grains. Other steps will also be taken to promote coarse grain production through special extension campaigns and the introduction of a seed plan, as well as through the development of the processing of coarse grains to respond to local consumer tastes. Furthermore, the Government is examining the adjustments that could be made over time to the regulations governing land allocation in the Fleuve region to encourage the establishment of agro-industries; it also intends to promote a sustainable agricultural credit system."

The table summarizing the objectives, strategies, and time frame for the macroeconomic and structural adjustment policies specified in the Policy Framework Paper is reproduced as Annex 2 below.

B. World Bank Structural Adjustment Loan

The World Bank's third structural adjustment loan (SAL-III) has three main themes: increasing the productivity of management of the public sector; stimulating private investment; and improving financial intermediation. The Development Policy Letter agreed to in April 1987 by the GOS and the World Bank as the basis for SAL-III contains the widest-ranging set of effective donor policy conditions. The Development Policy Letter outlined a set of action plans dealing with production and employment incentives, as follows:

- Incentives in agriculture:
 - the Cereals Plan, focusing on the Commissariat à la Sécurité Alimentaire (CSA), semi-artisanal cereals processing, promotion of local cereals through a special extension program and sale of improved seed at cost price, and pricing policy;
 - the peanut sector, involving a marketing cost study and an audit of SONACOS;
 - continued decontrol of inputs to agriculture;

- agricultural credit;
 - agricultural diversification;
 - strengthening of the Ministry of Rural Development; and
 - livestock.
-
- Incentives in industry.
 - Reform of the trade sector.
 - Promotion of employment.

The April 1987 Development Policy Letter also called for action plans dealing with reform of the parapublic sector, improving public sector management, and reform of the financial system.

C. Other Donor Assistance

As indicated in the TOF (Annex 1, Table 8), the entire capital expenditure of the GOS is financed by donor grants or loans. As estimated by the GOS and the IMF in the TOF, projected disbursements of donor assistance (excluding debt rescheduling) for 1987/88 come to CFAF 85.0 billion (equivalent to \$309 million at an exchange rate of US\$1 = CFAF 275): CFAF 20.9 billion of grants, CFAF 60.6 billion of loans, and CFAF 3.5 billion of net drawings on the IMF. Including CFAF 23.3 billion of debt rescheduling, total aid is projected at CFAF 108.3 billion (\$394 million).

As estimated by USAID/Senegal from a survey of donor missions in Dakar, commitments of donor assistance came to \$872 million in CY 1987, \$511 million in grants and \$361 million in loans. Multilateral donors accounted for \$341 million, and bilateral donors for \$531 million (see Annex I, Table 12). France was the largest donor (\$209 million) followed by Italy (\$172 million), the EEC including STABEX (\$148 million), and the World Bank (\$124 million), with the U.S. (\$46 million) falling far behind. Italy's commitments are always much higher than its disbursements.

D. FY 1987 USAID Programs

1. ESF-V

As of June 30, 1988, USAID/Senegal has fully disbursed the ESF-V cash transfer totaling \$11,075,000, and has earmarked \$300,000 of the \$500,000 technical assistance grant.

ESF-V conditionality was formulated in order to keep the attention of the GOS on implementation of specific elements of the wider policy package contained in the Medium and Long Term Action Plan negotiated with the GOS by the World Bank, the French, and ourselves in 1984. The total policy package is a crowded one, with different deadlines for the various components. The GOS is now moving the policy package forward as a whole, but with the components progressing at different rates of speed as some of the deadlines slip.

The GOS has fulfilled the greater part of the conditionality of ESF-V. It met the conditions precedent for the two tranches as set in the Grant Agreement except for the slippage of deadlines set for the SONACOS audit, for

an action plan for removal of constraints on bank credit to small scale enterprises, and for privatization of rice imports. A check list on the status of ESF-V conditionality as of 12/10/87 is presented in Annex 3.

ESF-V conditionality was focused on four policy themes:

- improving policy reform management;
- damping imported rice consumption;
- reducing agricultural sector deficits;
- encouraging private sector agro-industry.

a. Improving Policy Reform Management

ESF-V conditionality called for establishment of a procedure for holding quarterly meetings between USAID/Senegal and concerned ministries of the GOS to discuss (a) progress on agricultural reform and other aspects of structural adjustment and (b) the status of analysis and decisions related to structural adjustment measures proposed or being implemented. To this end, the Director of the Forecasting Department of the Ministry of Economy and Finance put together an excellent group of working level experts from the Presidency, the Ministry of Economy and Finance, the Ministry of Rural Development, and the Ministry of Plan and Cooperation to represent the GOS. To date, USAID/Senegal has been represented by its Deputy Director, Program Officer, Program Economist, Food for Peace Officer, and Agricultural Development Officer.

At its quarterly meeting on October 21, 1987, the GOS-USAID economic policy working group reviewed (a) progress on the conditions precedent for release of the second tranche of ESF-V and on the self-help measures of the FY87 PL 480 Title I Agreement, and (b) the likely concerns of ESF-VI. The group then discussed several specific issues set out in USAID/Senegal's agenda for the meeting:

- Rice policy: The coherence of Senegal's rice policy is questionable in view of its competing objectives and its limited instruments. It was agreed that the GOS needs to clarify and reconcile its policy objectives regarding protection of local cereals production, incentives for local rice production, market liberalization, and budget revenue generation.

- USAID program assistance and the GOS financial operations table (TOF): The U.S. representatives insisted that USAID non-project assistance is intended as a contribution to longer term reform and that we do not want disbursement of our assistance to be driven only by the timing of the IMF performance criteria included in the TOF. If our conditionality is met in time to meet an IMF deadline, so much the better.

- Peanut prices: The reduction in the peanut procurement price from CFAF 90/kg to CFAF 70/kg announced on May 1, 1988 will lower the annual deficit of SONACOS by CFAF 8.0 billion (if peanut product exports are again equal to 400,000 MT of peanut equivalent). Further reductions in the deficit will have to come from reductions in operating costs of SONACOS. The audit now in process should provide clues on how to lower the enterprise's operating costs.

The December 16, 1987 and January 6, 1988 meetings discussed (a) FY88 PL 480 Title I and ESF-VI conditionality, (b) the results and recommendations of the ESF-V studies, and (c) the perequation on wheat imports.

b. Containing Imported Rice Consumption

Officially recorded rice imports declined from 318,000 MT in 1986 to 286,000 MT in 1987, partly because of an increase in smuggling of rice from the Gambia, partly because of the increased availability of millet in rural areas as a result of the good crop of 1986/87, and partly because of self-imposed GOS limitations. For the longer term, cheaper processing of millet into forms competitive to rice in terms of convenience is needed to ensure a wider urban market for millet, as clearly pointed out in the study by Fallou Dieye.

ESF-V conditionality called for a study of measures to reduce rice imports which would examine, inter alia, (a) options for setting the domestic price of rice, if and when the world price recovers to a level beyond that reflecting a 25 percent level of protection for locally-funded grains (millet, sorghum, maize, cowpeas), (b) measures for reducing domestic consumption of rice as called for in the GOS Cereals Plan, and (c) a fiscal instrument for replacing the perequation on imported rice. A study was commissioned and an excellent report by a Senegalese economist, Fallou Dièye, was delivered in November 1987. The study focused on the availability and cost of transformation of local coarse grains which is the key to competing against rice for consumer acceptance in urban communities.

The problems and constraints identified in the studies carried out under ESF-V include:

- the need to resolve the conflicting aims of rice policy: protection of market for coarse grains; increasing GOS Budget revenues; equitable access to rice throughout the country; reducing smuggling from the Gambia; reduction and eventual elimination of subsidies on locally produced rice; privatization. For example, if rice imports are fully privatized, it will be difficult to reduce the quantity imported, a GOS objective under the Cereals Plan.
- the need for more efficient and cheaper coarse grain processing.

Recommendations that we have made and that we will implement under ESF-VI include:

- clarifying policy objectives (called for under ESF-VI); and
- promoting artisanal processing of coarse grains (to be accelerated under ESF-VI).

The GOS has revised its policies to shift emphasis from industrial processing of coarse grains by the Dakar millers to semi-industrial and artisanal cereals processing. Within the context of the Common Fund, we are preparing a program to increase substantially credit for small and medium sized millers.

Another consideration in rice policy has been the partial privatization of rice imports. From March to June 1987, the GOS carried out a partial privatization of the rice import trade by assigning to four private firms the responsibility for importing 85,000 MT of broken rice (three months share of the annual projected total rice imports for the period December 1, 1986 - November 30, 1987). In November 1987, a joint GOS-donor committee reviewing the March-June 1987 experiment with private sector imports of rice recommended a one-year postponement of further attempts to privatize rice imports until better procedures could be worked out. The CPSP will, therefore, have sole responsibility for importing rice into Senegal at least until end-November 1988.

The harsh reality is that the partial rice import privatization experiment implemented by the GOS at World Bank insistence in March-June 1987 was at cross-purposes with other realities in its conception. The other realities include: the need to protect local production of cereals in keeping with the Cereals Plan, the insistence of the GOS on territorial equity in access to such a basic foodstuff as rice, and the rigidities of an administered economy which is still only in the process of being liberalized.

When the scheme was conceived by the World Bank in 1985, the real purpose (in addition to liberalizing the economy on principle) was to get the CPSP out of the rice trade because the CPSP's accounts were far from transparent and the GOS was losing revenue on rice. Since then, the CPSP's activities have been cleaned up (largely again due to U.S. pressure), and the CPSP is now operating efficiently and providing substantial resources to the GOS budget.

The partial privatization procedure adopted for 1987 was to allocate 85,000 MT of broken rice imports (three months' supply) to four private sector importers (of about 30 who bid for the import licenses). The bidders had to demonstrate some capacity to fulfil their contracts and to provide a guaranty from a commercial bank which would issue a short-term loan to prepay the perequation tax to the CPSP by a fixed date. The date by which each importer contracted to deliver rice was set. The importers were supposed to have the capability to distribute rice in the interior of the country. Since the GOS insists on equity grounds on supplying rice at almost the same price throughout the country, the importers were to receive the subsidy when delivery to provincial points of distribution was confirmed.

Of the four importers, only one turned out to have a viable bank guaranty (from Citibank). The other banks, because of their general state of illiquidity, delayed payment to the CPSP when the guaranties were called.

One of the importers chartered two small ships, the first of which broke down off the west coast of Africa, put into a Central West African port for repairs, and arrived 29 days late. The CPSP supplied the market out of its emergency stocks during the interval of delay, but declined to replace its emergency stocks out of the private sector importer's cargo which in any event turned out to be an inferior grade of Pakistani rice which the importer then had difficulty in marketing.

Another importer got his 10,000 MT of rice delivered to Dakar in good time to meet his schedule, but he then got caught smuggling an additional 5,000 MT and ended up in jail. He was declared disqualified from the contract, whereupon the GOS impounded his legally imported 10,000 MT, bought it from him at his purchase price, and sold it to the CPSP which paid the perequation to the GOS Treasury.

The GOS-donor review committee included the following: on the donor side, representatives of the World Bank, the EEC, the IMF, France (as observer), and USAID; and on the GOS side, the Presidency, the Ministry of Commerce, the Ministry of Finance, and the CPSP.

The GOS reviewed performance on the basis of three criteria: delay in delivery to Dakar; extent of distribution outside the Dakar area; and promptitude of payment of the perequation tax to the CPSP. It found the experiment to be deficient on all three counts. The basic problem was how to privatize part of a system that is otherwise administered. The upshot was that all agreed that the experiment failed and that further efforts should not take place until a better system is found. The U.S. position is that we leave the World Bank out in front on the rice import privatization question. If they want to get themselves off the hook of what has turned out to be a poorly implemented experiment, we support them. Alternatively, if they can figure out a viable approach to rice import privatization, given all the conflicting aims of rice policy, we will follow them on that track.

Meanwhile, there is no point in our trying to hold the GOS to a policy left in suspension by the World Bank. We have, therefore, issued a second Amendment to the ESF-V Grant Agreement 685-K-606/685-0289 deleting the covenant on private sector rice imports (section 4.2.B) entirely.

c. Reducing Agriculture Sector Deficits

ESF-V conditionality called for several actions related to reducing agriculture sector deficits borne by the GOS:

(1) The GOS was to confirm that SONACOS, the peanut oil pressing company, was actively attempting to collect from farmers the peanut seed credit issued during crop year 1986/87, and would provide a status report on payments to date. If that credit was not repaid by the farmers, SONACOS was to absorb the loss. To this end, the Ministry of Rural Development put heavy pressure on the farm cooperatives to see that the credit was reimbursed; in addition, 1986/87 was a good crop year. As a result, for the first time since Senegal's independence, the peanut seed credit was entirely reimbursed by the farmers. This has demonstrated the validity of the U.S. policy recommendations to leave peanut seed to the farmers without subsidy from the parastatals.

(2) The GOS was to undertake (with USAID funding from the study and technical assistance component of ESF-V) a study on producer price relationships between cereals and peanuts, which would also look at price differentials between Senegal and The Gambia. USAID and the GOS established scopes of work for two separate studies that were to be contracted out to Senegalese consultants.

The studies also benefited from considerable intellectual input from the Director of the Forecasting Department of the Ministry of Economy and Finance and one of the Senegalese technical advisers to the Ministry of Rural Development. Both reports were delivered in November 1987.

One of the studies dealt with the implications for cereals policy of adjusting the producer price of peanuts to world prices. The study finds that, with the decline in the dollar market price of peanut products in the world market since 1984 and the equally sharp decline in the value of the dollar, an equivalent domestic Senegalese procurement price for peanuts would be around CFAF 55 per kg rather than the administered price of CFAF 90 per kg. Statistically, any cross price-elasticity between peanuts and millet is swamped by the effects of rainfall. The study asserts that peanuts (as a cash crop) and millet (as a subsistence food crop) are complements rather than substitutes, and that there will be no ascertainable price cross-elasticity between the two until cereals become predominantly a marketed commodity. (Our view is that this assertion is a gross simplification of a complex reality since millet, although primarily a subsistence crop, is already a market commodity, while artisanally-processed peanut oil is an item of on-farm consumption and peanuts are sold to buy food.)

The second study dealt with harmonization of the producer price for peanuts and the consumer price of rice between Senegal and The Gambia, focusing on the price parameters for smuggling of peanuts and rice between Senegal and The Gambia, nowadays mostly from The Gambia to Senegal. The study argues for linking in-country prices directly to world prices by removing subsidies and taxes on both products, but points out that for rice such a recommendation is in contradiction with the cereals policy of the GOS.

(3) The GOS was to confirm initiation of an audit of SONACOS (proposed by the World Bank) and later to provide USAID with a progress report on the results. The SONACOS audit, which was to be financed by the World Bank, was delayed because of disagreements over the terms of reference. Finally the French Caisse Centrale de Coopération Economique (CCCE) agreed to finance the audit, but made further changes in the terms of reference to include a wider study of the peanut sector as well. The study was scheduled to be completed by June 1988, and is now expected to be completed by August.

SONACOS will run a deficit in the neighborhood of CFAF 30 billion on the 1987/88 peanut crop, part of which will be financed by the EEC's STABEX fund. The deficit is due both to the high peanut procurement price (CFAF 90/kg) compared with the world price of peanut oil, and to the operating costs of SONACOS. The GOS hopes that the audit currently under way will provide ammunition at best for improving SONACOS's operations or at worst for reducing its financial costs as reported by SONACOS when calculating its deficit. (It should be noted that neither the CSS nor the SONACOS audit is being financed by USG funds.)

One of the inputs to the review of the procurement price (floor price) for peanuts was supposed to be the French-financed SEDES report on agricultural price policy in Senegal. A draft report was delivered to the GOS in March 1988 but turned out to be inadequate for helping take an immediate decision.

The World Bank team reviewing their SAL-III in March 1988 made their own suggestions as to the appropriate price. The decision on the peanut price for the 1988/89 crop year was announced on May 1, 1988, at CFAF 70/kg.

The ESF-V conditions that the GOS should (a) confirm initiation of an audit of SONACOS and (b) provide a progress report on the results of the audit were based on the understanding that another donor would finance the audit. When it came to it, the other donor somehow found that it had no funds available; eventually the French CCCE did fund a wider technical study of the whole peanut sector. We see no reason for penalizing the GOS because of the delay in funding, and so we carried forward the condition on the audit of SONACOS from ESF-V to ESF-VI.

There are two factors contributing to the costs of the peanut sector (and the resulting drain on the GOS Treasury). One is the disparity between the procurement price for peanuts and the world price for exports of peanut products. The other we assume to be inefficiencies of SONACOS and perhaps poor accounting practices.

It is rational for the GOS to be responsible for carrying a security stock of peanut seeds when most of the cash economy of Senegal is tied to the peanut crop. We can argue with the GOS about the size of the security stock (30,000 MT may be more reasonable than 10,000 MT in view of the evidence that the farmers maintained enough peanut seed of their own for last year's plantings) but not about the principle. (We understand that the seed stock is to be held to 40,000 MT.)

(4) The GOS was to undertake an audit of the Senegalese sugar company (CSS). In fact, the GOS has commissioned two financial and technical reviews of the operations of the CSS. The first was a study of the sugar sector commissioned by the CPSP from Louis Berger International Inc. in collaboration with Arthur Young (France); a copy of the report dated June 1987 has been made available to USAID/Senegal. The second is a further audit and technical study of the CSS to be carried out by Arthur D. Little Inc. It is due in mid-1988.

The CSS agreed to termination of its current claims to subsidies (negative perequation) from the CPSP on sugar as of October 31, 1987 (in exchange for agreement by the GOS to pay off, over three years, arrears on past subsidies amounting to CFAF 9.0 billion). However, the CSS still has a monopoly on production and import of sugar, and the CPSP still pays a subsidy on sugar used as an input to industry. The GOS is determined to renegotiate the special agreement that gives the CSS its monopoly; the GOS needs accurate auditing information for that purpose. The audit which has started is being done by a U.S. company. If the CSS special agreement can be renegotiated, it should have a major impact on Senegal's economy.

The GOS was dissatisfied with the results of the first CSS audit (which essentially justified the high financial costs reported by the CSS) and commissioned what it hopes to be an independent study by a U.S. (rather than a French) firm, A.D. Little International. USAID/Senegal was not involved in

writing the terms of reference for either study since we are not participating in their financing.

Among the constraints and problems identified concerning agricultural sector deficits were:

- lack of transparency in the accounts of CSS and SONACOS.
- the high procurement price for peanuts in the face of a low world market price for peanut products.

We and the GOS are still waiting for completion of the audits of CSS and SONACOS before making specific recommendations.

Among the policies revised by the GOS are the following:

- In the case of the CSS, the GOS negotiated an end to the payment of the CPSP current subsidy to the CSS. Renegotiation of the special agreement giving CSS the sugar monopoly is now clearly on the GOS's agenda (and a major aim of the Ministry of Economy and Finance).
- The GOS announced a reduction in the peanut procurement price for 1988/89 on May 1, 1988, in part as a result of pressure from the donors, notably the IMF, the World Bank and USAID.

The effects include the following:

- Sugar prices in Senegal are still almost three times the world price, but the current French-led restructuring of the CSS has resulted in a substantial drop in the cost of production. A reduction in the consumer price of sugar was announced by the President of Senegal on May 1, 1988.
- The GOS is closer to having clear information on SONACOS as a basis on which to negotiate.

d. Encouraging Private Sector Agro-Industry

The GOS was (a) to commission (with USAID funding from ESF-V) a study on the constraints limiting the effectiveness of the banking system in support of small scale enterprises and (b) to confirm its intentions to remove such constraints. A study (in French) on "Constraints on the Senegalese Banking System Limiting Credit to Small Scale Enterprises" was contracted in June 1987 from a Senegalese consultant, Charbel Zarour, who delivered a 150-page analytical report in November 1987. The recommendations made in the report include (a) greater flexibility of the BCEAO in applying counter-productive "preferential" interest rates to small scale enterprises, (b) a more active policy on the part of the banks to mobilize private savings, and (c) the creation of mutual credit societies by small scale enterprises.

As noted above, the study by Charbel Zarour was one of the excellent studies done under ESF-V. In the meanwhile, however, we have been overtaken by the bigger crisis of the banking sector. Solution of the specific problems of credit to small and medium scale enterprises is tied to resolution of the larger issues of banking sector liquidity and banking sector reform with which the GOS and the donors are now concerned. Banking sector reform is the theme of our proposed Senegal AEPRP-II. An action plan for improving the credit situation of small scale enterprises will be part of the banking sector reform now under active discussion between the donors and the GOS.

e. Conclusion on ESF-V Conditionality

All conditions have been met except that timetables have been revised for the SONACOS audit, for an action plan for removal of constraints on bank credit to small scale enterprises, and for privatization of rice imports.

The studies and audits undertaken under ESF-V have set the scene for actions that the GOS will have to take during the ESF-VI period:

- The rice question has undergone serious analysis, study, and policy experimentation. A review of its rice policy by the GOS must now be made.
- The two agro-industrial companies receiving subsidies that are a major drain on the GOS budget, SONACOS and CSS, are being audited and action plans concerning them will be prepared.
- The whole question of banking sector reform, which includes our immediate concern with constraints on lending to small scale agro-industrial enterprises, is being examined by the GOS and the major donors.

2. PL 480 Title I

FY 1987 PL 480 Title I provided \$ 10.0 million of rice to Senegal. Local currency proceeds are being used (a) for support of the fertilizer subsidy program, (b) for support of the cereals floor price (in conjunction with funding from the food aid donors Common Fund), (c) for partial funding of in-country transport of Title II grant food aid, and (d) retirement of the ONCAD debt. Self-help measures focused primarily on deregulation and liberalization of cereals marketing and establishment of the floor price system for cereals.

For FY 1988, we requested a Title I level of \$5.0 million for rice imports. Proposed FY 1988 PL 480 Title I self help measures are described in section V.D.3 below (and in Annex 4).

3. Agricultural Production Support Project

USAID/Senegal's Agricultural Production Support (APS) project (685-0269) represents a direct project intervention in support of the GOS Cereals Plan. The main objective of the five-year APS project is to facilitate privatization of distribution of agricultural inputs and multiplication of cereals seeds in

Senegal. This will be supported by (a) technical assistance, training and commodity procurement for a seed multiplication program, (b) establishment of a revolving fund to expand input supplier credit through the commercial banks, (c) an educative media campaign, and (d) upgrading of agricultural statistics.

Conditionality attached to the APS project is described in section IV.D.3 below (and in Annex 4).

V. ESF-VI Program Description

A. ESF-VI Objectives

Overall Objective

The overall objective of ESF-VI has been reformulated as improved management of structural economic reform emphasizing three policy themes:

1. continued functioning of the GOS-USAID working group on policy reform;
2. maximizing resources due to the GOS Treasury; and
3. increasing the efficiency of resource allocation in the agriculture sector through:

- clarification of the price, import and domestic production aspects of rice policy (which will entail close examination of the costs of rice production under irrigation in the Senegal River Valley);

- privatization of rice milling in the Senegal River Valley; and

- review and adjustment of the floor support price for coarse grains.

1. Continued Functioning of the GOS-USAID Working Group on Policy Reform

We will continue holding more-or-less quarterly meetings of the GOS-USAID working group on policy reform which is proving to be a useful and stimulating forum for exchange and generation of ideas on implementing structural adjustment. We hope especially to be able to use the dialogue with the members of the working group to clarify the import, production, price, and cereals transformation and substitution parameters for better formulation of rice policy. In addition, we plan to utilize these meetings to discuss the entire range of reform issues and thus have the opportunity to use our influence at critical junctions. Among the most critical of issues is increased mobilization of domestic resources. In this context we have discussed, and will continue to discuss, maximizing the perequation on wheat sales. Last year (1986/87), for example, over CFAF 5 billion was generated for the GOS budget while at the same time the price of bread was reduced.

We intend to continue the meetings of the joint GOS-USAID Economic Policy Working Group as long as the Mission is involved in the policy dialogue with the GOS. For example, we now use that forum for negotiating PL 480 Title I

self-help measures as well as ESF conditionality. The Ministry of Finance and Ministry of Rural Development representatives on the Joint Working Group will in fact be responsible for doing the review and for drafting the policy statement on rice called for in our ESF-VI conditionality.

2. Reducing the Net Drain of Agro-Industry on the GOS Treasury

a. Maximizing Perequation on Wheat Imports

An essential element of managing economic reform is maximizing resources due to the GOS Treasury. A few years ago, the CPSP was restructured. It is now a viable, revenue-producing organization. In 1987, a properly-managed wheat-import program earned substantial revenues for the GOS Treasury. We plan to continue our own and GOS efforts to ensure that these revenues continue to flow into the Treasury and are not another windfall for the millers. We are insisting that this year's perequation be collected promptly and that the December 1987 GOS agreement with the millers be renegotiated to ensure that imports will be purchased following an international public bid procedure.

b. Reducing Agriculture Sector Deficits

The GOS peanut pricing policy has increased the GOS Treasury's deficit for both 1986/87 and 1987/88 by maintaining a high producer price for peanuts in the face of much lower world prices for peanut products, while incidentally encouraging the smuggling of peanuts into Senegal from The Gambia and from Guinee-Conakry. The GOS has now adjusted its peanut procurement price downward. We want the GOS to keep to its timetable for progressive reduction and elimination of the subsidy to SONACOS for treatment of peanut seeds.

We are carefully following progress on the SONACOS audit and the re-study of the peanut sector that was commissioned by the World Bank and the French CCCE. We are including references to both of these in our ESF-VI conditionality.

We continue our close interest in the GOS efforts to renegotiate the special agreement with the sugar company (CSS), and we are including reference to the up-coming Arthur D. Little study of the CSS in our ESF-VI conditionality.

We also are including reference to the third SAED Lettre de Mission which sets forth the plans for restructuring and the major targets of this key parastatal responsible for agricultural development in the Senegal River Basin.

The GOS has not requested ESF-VI financing for the restructuring of SAED but did encourage our support for its efforts to reform this pivotal parastatal. A restructured SAED will facilitate implementation of our Agricultural Research, Bakel, and Agricultural Production Supports projects. We would also like to accelerate the privatization of SAED's rice milling operation as part of its restructuring and therefore propose a study to that effect under ESF-VI.

The restructuring of SAED during the three-year period of the third lettre de mission (July 1987-June 1990) will focus on the following:

- (1) Decentralization of administration and finance, shifting personnel from the headquarters in Saint-Louis to the delegations which will have more responsibility;
- (2) Reduction of the number of personnel from 970 to 610 at the end of the period and improvement in the quality of personnel through training programs and salary incentives;
- (3) Search for a better fit between staff profiles and posts;
- (4) Inter-institutional collaboration to allow SAED to achieve its integrated rural development goals through contracting with other organizations such as ISRA, Forest Service, Livestock Service, and the CNCAS;
- (5) Development of farming results by increasing individual plot size from 0.25 hectare to 1.0-1.5 hectares and by improving production systems and equipment;
- (6) Encouragement of farmer organization: in addition to traditional structures such as cooperatives, SAED will facilitate the creation of village economic groups (groupements d'intérêt économique), which are eligible for credit under a 1984 law;
- (7) Improve paddy production and processing through:
 - support of the floor price for paddy for which SAED now lacks funding;
 - protecting the local market;
 - developing financing procedures to purchase and stock paddy;
 - increasing involvement of the village sections in marketing of paddy up to weighing stations;
- (8) Encouragement of the development of the credit network through the CNCAS and other credit institutions.

3. Increasing the Efficiency of Resource Allocation in the Agriculture Sector

a. Clarification of Rice Policy

Several developments over the past year - including partial privatization of rice imports in 1987, the increase in rice smuggling from The Gambia, increases in the world price for rice, and the May 1, 1988 announcement of a reduction in the consumer price of rice to its 1984 level - affect the consumption of imported rice and our perception of the problems it creates. They call for reconsideration of current GOS rice policy which has a series of built in contradictions:

- between (a) short-term GOS concern with rice as a strategic consumer good, essential to avoiding urban tensions, and (b) longer-term GOS concern with constraining rice imports to protect local cereals and to make their processing commercially viable;
- between (a) keeping the consumer price for rice high for revenue purposes (while subsidizing local rice production), and (b) keeping urban consumers happy;
- between (a) "privatizing" imports, while (b) maintaining bureaucratic controls that undercut free market efficiencies.

The March-June 1987 experiment with private sector participation in the rice import trade highlighted the contradictions of present overall rice policy and anomalies in the specific system designed and applied by the GOS in 1987 to introduce (or re-introduce after many years of enforced absence) the private sector into the rice importing business. Among the anomalies were (a) the central aspect of the system introduced in 1987, which was to accord successive one-month monopolies of imports to each of the chosen private sector importers with no provision for delays in shipping or other problems other than reliance on the security stock of the CPSP, (b) a fixed internal delivery price for calculating the perequation tax on imported rice with no allowance for quality or country of origin, (c) maintenance of more-or-less uniform pricing throughout the country by subsidizing part of the transport costs from the Dakar port to the point of consumption, and (d) intervention of the economic police to ensure that the quantities of rice delivered to the point of consumption were the amounts reported for collecting the transport subsidy.

The experiment brought a rapid increase, to over ten percent of Senegal's total rice consumption, in the volume of contraband rice brought in from The Gambia by smugglers taking advantage of the big difference between the free market (world) price in The Gambia and the high administratively fixed consumption price in Senegal. Increases in the world price for rice early in 1988, because of droughts in Thailand and other Asian rice-exporting countries, coupled with the reduced consumer price of rice, virtually eliminated the rice price differential between The Gambia and Senegal, as well as receipts of the GOS Treasury from the positive perequation on rice. However, world prices for broken rice have started falling again.

We are asking the GOS to carry out a formal review of its rice policy and to prepare a statement of that policy reflecting recent changes.

b. Encouraging Private Sector Agro-Industry

We plan two specific actions under this heading: (a) carrying out a study on ways to expand private sector agro-industry in the Fleuve Region in the post-Manantali dam period (to be funded under ESF-VI); and (b) establishing a timetable for withdrawal of SAED from credit programs in the Fleuve Region in favor of the Caisse Nationale de Crédit Agricole Sénégalaise (CNCAS) and other participating banks in the context of the third SAED Lettre de Mission.

The first and second SAED lettres de mission did not address the credit issue. Under the terms of the SAED third lettre de mission, SAED will completely disengage from credit for fertilizers and pesticides by June 30, 1988. Disengagement from credit for seed will not be completed until the triennial program for seed production and control is in operation, with ISRA responsible for breeder seed, the Ministry of Rural Development's Seeds Service (Direction de la Production et du Contrôle des Semences) for foundation seed, contract farmers for multiplication of certified seed, and farmer organizations for marketing of seed to producers; meanwhile, SAED is to support these organizations for marketing and distribution of seed in its zone of operations. (USAID/Senegal will be funding part of the ISRA and Ministry's Seeds Service activities under our Agricultural Production Support project. The World Bank will be supporting the certified seed multiplication activity under its Irrigation IV project.) SAED will give no further credit for land preparation from the beginning of the second year of the third lettre de Mission (July 1988). In the third year (1989/90) of the period of the third lettre de mission, all credit operations (except for water supply) will be transferred to the CNCAS and other credit organizations.

B. Anticipated Effects of Elements of ESF-VI Program

This section responds to the request in paragraph 3 of the ECPR guidance cable (STATE 143046) for a narrative relating conditions to their specific objectives and setting out the anticipated effects of the proposed conditions in relation to the reform objectives.

1. Reducing the Net Drain of Agro-Industry on the GOS Treasury

a. Maximizing Perequation on Wheat Imports

Facts: In 1987, the CPSP took responsibility for importing wheat away from the private sector millers and held a public international bid which was won by a U.S. company exporting wheat under the U.S. export enhancement program (EEP). The result was a manifold increase in the positive perequation on wheat received by the GOS Treasury and lower bread prices. In 1988, according to an agreement signed by the GOS with the millers in December 1987, the millers are once again authorized to import wheat or wheat flour (except in a situation of emergency), with the perequation to be calculated according to a reference price for wheat imports based on an "international consultation". Such a "consultation" by the GOS early in 1988 brought in price quotations at least \$20 per MT higher than the price (subsidized by the EEC) that the millers are actually paying for wheat imports from Europe. The U.S. is pressing for an international public bidding procedure that would generate real prices (after subsidy) as the basis for the GOS perequation.

Constraints and Problems Identified: The millers are playing a rough commercial game in a cartelized market. The December 1987 agreement between the millers and the GOS specified that the terms of the agreement would automatically continue in force for at least 12 months if abrogated by either party.

Recommendations on Policy: We are recommending a policy revision to adopt an international public bidding procedure for wheat, supervised by the GOS and effective for all future imports.

Expected Effects: The effect of the intended procedure will be to transfer the windfall of subsidies on wheat exports from the pockets of the millers to the GOS Treasury, thereby making donor assistance to the GOS truly additive.

b. Reducing Agriculture Sector deficits

Facts: The CPSP perequation to the CSS on current sales of sugar was abolished as of October 31, 1987, but the CPSP still pays the subsidy on sugar used as an industrial input. Reductions in the consumer price of sugar were announced by the GOS on May 1, 1988. The CPSP subsidy on industrial use of sugar has been reduced correspondingly.

The GOS is supposed to start renegotiating its special agreement with the CSS during the coming year.

The reduction in the peanut procurement price from CFAF 90/kg to CFAF 70/kg announced on May 1, 1988 will lower the annual deficit of SONACOS by CFAF 8.0 billion (if peanut product exports are again equal to 400,000 MT of peanut equivalent). Further reductions in the deficit will have to come from reductions in operating costs of SONACOS. The audit now in process should provide clues on how to lower the enterprise's operating costs.

Constraints and Problems Identified: Problems identified include:

- lack of transparency of the accounts of CSS and SONACOS; and
- the still-high procurement price for peanuts in the face of a low world market price for peanut products.

Recommendations: We are waiting for the results of the audits of CSS and SONACOS before formulating recommendations.

Possible Policy Revisions: In the case of the CSS, we expect that the CSS, instead of the CPSP, will be obliged to absorb the price differential on sugar supplied to industrial users.

In the case of SONACOS, we expect substantial decreases in operating costs (or at least in accounting costs) to come out of the audit and its accompanying management recommendations.

Expected Effects: We expect a significant reduction in subsidies payable to the CSS and SONACOS by amounts to be identified after the audits are completed.

2. Increasing the Efficiency of Resource Allocation in the Agriculture Sector

a. Clarification of Rice Policy

Facts: As a result of (a) the new reality created by the price changes announced in the speech of the President of Senegal on May 1, 1988 and (b) the relevant recommendation in the ECPR guidance cable, we are dropping the ESF-V theme of damping imported rice consumption. Instead, we are shifting our focus to encouraging crop diversification and low-cost cereals processing through the proposed new Agriculture Sector Grant as a companion to ESF-VI.

The decision of the GOS to reduce the consumer price of rice from CFAF 160/kg to CFAF 130/kg severely reduces the price disincentive effect on the consumption of rice. It also reduces the incentive to smuggling from the Gambia, which has been one of the contradictory results of GOS rice policy. Furthermore, if the world price for broken rice had stayed at its March 1988 level of \$298 per MT fob \$317 per MT c.i.f., the new consumer price would have eliminated the positive perequation on rice. However, the world price for broken rice is again declining.

The political significance of the rice price in the Dakar-Cap Vert urban area was clearly demonstrated by the February 1988 presidential election and its immediate aftermath. The explosive reaction of the urban poor to the 1985 increase in the rice price was slow in coming: instead of street riots in 1985 (as feared at the time), the reaction smouldered until the 1988 elections' outburst. To defuse the situation the Government chose to reverse its earlier decision to raise the price of the country's urban staple, the symbol of urban discontent.

If the world rice price continues to rise, the question remains as to whether the GOS will once again subsidize the consumer price of rice.

- Constraints and Problems Identified: For the GOS and for USAID/Senegal, cereals domestic policy has hitherto focused on domestic coarse grains and imported rice. The imminent inauguration of the post-Manantali ("après-barrage") period and the May 1, 1988 announcement of an 18.75 percent reduction in the consumer price for rice make it imperative to include irrigated rice in our cereals policy discussions. More information is needed on actual and potential production costs before we take any strong positions on the matter. Meanwhile, we expect to see a discussion of rice production in the Senegal River Valley included in the study of rice policy called for under our ESF-VI conditionality.

- Recommendations: The World Bank's earlier insistence on privatization of rice imports is an element of rice policy for Senegal that has been undermined: (a) by confusion and contradictions in the March-June 1987 experiment, (b) by improvement in the CPSP since it was put under the direct control of the Ministry of Economy and Finance in 1984, and (c) by the latest developments in price policy. USAID/Senegal is dropping privatization of rice imports from its policy agenda. An action memorandum to that effect is attached to the PAAD as Annex 12.

Possible Policy Revisions: The GOS should review its commitment to irrigated rice cultivation as the center-piece of the post-Manantali development of the Senegal River Valley in the light of comparative cost considerations.

If the world price for broken rice does not fall after the 1988 Asian rice harvest, the GOS will have to review the present price set for sales to consumers in order to avoid the charge on the GOS Treasury of a negative perequation (subsidy) on rice.

- Expected Effects: For the short term, we expect a reduction in rice smuggling from the Gambia as a result of the reduction in the consumer price of rice in Senegal.

For the medium term, we expect: (a) the GOS to revise its policy of subsidizing SAED rice through the CPSP's purchases from SAED, and (b) the removal of subsidies paid by SODAGRI. It should be noted that paddy sold to artisanal and semi-industrial millers by Senegal River Valley farmers is not subsidized by the CPSP.

For the longer run, we expect increased emphasis on diversification to cash crops other than rice in the Senegal River Valley.

b. Encouragement of Private Sector Agro-Industry

Facts: Industrial rice milling in the Senegal River Valley is now one of SAED's high-cost activities which we presume could be made more economic by privatization. Privatization is now planned for the period of SAED's fourth Lettre de Mission (1990/91-1992/93).

Artisanal rice mills already process a good part of the 75 percent of Senegal River Valley paddy that is not purchased by SAED. The private sector operators do not receive a subsidy but the SAED rice mills do. The fact that the private operators are profitable without the subsidy implies that they are economically more efficient than SAED.

The expected increase in agriculture-related activities in the Senegal River Valley in the post-Manantali period will provide new opportunities for the private sector.

Constraints/Problems Identified: SAED is reluctant to withdraw from its rice milling activity (a) because its official rice monopoly is one of its few sources of direct income, and (b) its technical influence on rice growers in the Valley has been linked to crop credits that SAED issues to farmers and collects through the paddy harvest. SAED wants to postpone its withdrawal from rice milling to the period of its fourth Lettre de Mission.

Other constraints on development of private sector activity in the Valley will be identified in the study carried out under ESF-VI.

Recommendations: Our immediate recommendation is to move forward the date(s) of SAED's withdrawal from rice milling in the Senegal River Valley to the extent feasible.

Other recommendations will emerge from the studies to be carried out under ESF-VI.

Possible Policy revisions: The main policy change we envisage is complete withdrawal of SAED from rice milling in the Valley.

Other policies to encourage agriculture-related private sector activities will involve (a) getting SAED out of supplying inputs and (b) ensuring availability of credit throughout the Valley once SAED withdraws from providing credit.

Expected Effects: One immediate effect should be elimination of the subsidy paid to SAED for milled rice purchased by the CPSP. We also expect private activity to expand in the Valley but we have not yet figured out how to measure it. Without a baseline study, identifying increases in activity will necessarily be impressionistic and anecdotal at least initially.

C. Proposed Follow-Up to ESF-VI Program

1. Overall Objective

As suggested in the ECPR guidance cable (STATE 143046), we have reformulated the overall objective of ESF-VI as improved management of structural economic reform through (a) maximizing resources due to the GOS Treasury and (b) increasing the efficiency of resource allocation in the agricultural sector (see section V.A above). Specific inputs to improved management of reform include continued functioning of the joint GOS-USAID Working Group on Policy Reform set up under ESF-V and the further studies to be generated under ESF-VI.

2. Follow-Up Actions

Follow-up on the ESF-VI actions concerning maximization of resources due to the GOS Treasury will be part of the conditionality for ESF-VII, which will focus on improving the GOS budget system and on domestic resource mobilization.

USAID/Senegal will focus on three sets of follow-up actions concerning resource allocation in the agricultural sector: (a) adherence to a coherent rice policy; (b) semi-industrial processing of coarse grains; and (c) development of production of maize in high rainfall areas of Southern and Southeastern Senegal and the promotion of an internal market for maize. These will be proposed by USAID/Senegal as the theme of a multi-year Development Fund for Africa (DFA) sector program grant in FY89. In the meantime, we will amend the ESF-VI PAAD in August 1988 to begin addressing rice production policy and cereals processing through a DFA sector program grant.

D. Proposed ESF-VI Conditionality

In line with the discussion of objectives in Section II above, we propose the following conditionality for the ESF-VI Structural Adjustment Grant (in addition to the standard conditions precedent concerning documentation in form and substance acceptable to A.I.D. dealing with the required GOS legal opinion, specimen signature, bank account number, and identification of authorized GOS representatives). The policy themes are: continued functioning of GOS-USAID working group on policy reform; maximizing resources available to the GOS Treasury; and increasing the efficiency of resource allocation in the agriculture sector.

1. Conditions Precedent to Release of First Tranche

Prior to release of the first tranche of \$ 5.0 million of the ESF-VI cash transfer, the Grantee will fulfil the following conditions:

a. Continued Functioning of GOS-USAID Working Group on Policy Reform

The Grantee will provide confirmation that the procedure will continue in force for holding quarterly meetings between USAID and the concerned ministries of the GOS to discuss formulation and implementation of structural reform.

b. Reducing the Net Drain of Agro-Industry on the GOS Treasury

i. Maximizing Perequation on Wheat Imports

With a view to maximizing the positive perequation received by the GOS, the Grantee will provide evidence that:

- (1) full payment of the perequation on wheat purchased in 1987 and 1988 to date has been made;
- (2) the current agreement with the millers will be terminated before October 31, 1988 and negotiations on a new agreement will be undertaken. The new agreement will specify that: (a) wheat imported commercially into Senegal, for delivery after November 1, 1989, will be acquired through a process of public international tender, conducted or supervised by the CPSP; (b) the lowest qualified bidder fulfilling the conditions of the tender under this process will be awarded the contract; (c) the perequation on wheat imports will be calculated on the basis of the awarded contract price; (d) the perequation will be paid when the wheat is taken from the port of Dakar either in cash or by a bank draft payable in ninety (90) days. The Grantee will make available to USAID, after the wheat is taken from the port of Dakar, all documents that demonstrate that all of the wheat perequation due has been collected in accordance with (a) through (d) above, within the required time limit.

(3) Since the terms of the current agreement will be operative until October 31 1989, in the interim (November 1, 1988 - October 31, 1989) (a) the reference price for calculating the perequation on wheat imports will be set on the basis of the lowest world price taking into account all subsidies provided by the exporting countries; and (b) the CPSP will widen the range of its consultations to the greatest extent possible, in order to ensure adequate coverage of wheat exporters.

ii. Reducing Agricultural Sector Deficits

(1) The GOS will provide to USAID the preliminary results of the SONACOS audit and peanut sector study financed by the CCCE.

(2) The GOS will provide to USAID the results of the Arthur D. Little audit of the Compagnie Sucrière Sénégalaise (CSS) carried out for the GOS.

(3) The third SAED Lettre de Mission will be adopted by the GOS with the approval of the donors and will have been signed by SAED and the GOS.

c. Increasing the Efficiency of Resource Allocation in the Agriculture Sector

i. Clarification of Rice Policy

(1) The GOS will agree to carry out an official review of its rice policy in the light of the consultant's report prepared under the terms of ESF-V, the agricultural price and incentives study by SEDES financed by the World Bank and the Caisse Centrale de Coopération Economique (CCCE), the November 1987 review of the rice import privatization experiment of March-June 1987, and the recent presidential decision to lower the consumer price of rice.

As part of the review, the GOS will make explicit and will try to reconcile the competing objectives of its current price policy, among them: protection of and incentives to local production of cereals (coarse grains and rice); social impact; market liberalization; and alleviation of the GOS budget situation.

(2) The GOS will prepare the terms of reference for a study (to be financed by USAID under ESF-VI) to examine the modalities and timing for the disengagement of SAED from the milling and marketing of rice in the Senegal River Valley, as an incentive to increased paddy production and acceleration of privatization.

ii. Encouraging Private Sector Agro-Industry

(1) The GOS will prepare and present to USAID the terms of reference for a study of ways to expand private agro-industry in the Senegal River Valley. Such a study will take account of other related on-going research. The study will be funded under ESF-VI.

(2) The GOS and SAED will establish a timetable for withdrawal of SAED from credit programs in the Senegal River Valley in favor of the Caisse Nationale de Crédit Agricole Sénégalaise (CNCAS) and other participating banks in the context of the third SAED Lettre de Mission.

2. Conditions Precedent to Release of Second Tranche

Prior to release of the second tranche of \$4.7 million of the ESF-VI cash transfer, the Grantee will fulfil the following conditions:

a. Continued Functioning of GOS-USAID Working Group on Policy Reform

USAID/Senegal and the GOS will hold at least one quarterly meeting on policies related to structural adjustment after release of the first tranche of ESF-VI.

b. Reducing the Net Drain of Agro-Industry on the GOS Treasury

i. Maximizing Perequation on Wheat Imports

The Grantee will provide evidence that:

(1) the GOS has negotiated with the millers a new agreement containing the points noted in Section 1.b.i.(2) above;

(2) the reference price for the perequation on wheat imports for the period November 1, 1988 - October 31, 1989 has been determined according to the procedure described in Section 1.b.i.(3) above. USAID will carry out its own ex-post check, through the services of the U.S. Department of Agriculture, of the international price quotations on which the reference price was set.

ii. Reducing Agriculture Sector Deficits

(1) The GOS will confirm its timetable for progressive reduction and elimination of the subsidy for treatment of peanut seeds, namely (in billions of CFAF): 1986/87: 1.0; 1987/88: 0.5; 1988/89: 0.3.

(2) The GOS will approve and begin implementation of its action plan for renegotiating the special agreement with SONACOS, in light of the audit and study financed by the CCCE mentioned in section 1.b.ii(1) above.

(3) The GOS will review the conclusions of the A.D. Little audit of the CSS mentioned in Section 1.b.ii(2) above and will prepare an action plan for the CSS.

c. Increasing the Efficiency of Resource Allocation in the Agriculture Sector

i. Clarification of Rice Policy

(1) The GOS will prepare and present to USAID a policy statement on rice following the formal review specified in section 1.c.i(1) above.

(2) On the basis of the study referred to in section 1.c.i(2) above, the GOS will present to USAID recommendations on modalities and timing for the disengagement of SAED from the milling and marketing of rice in the Fleuve Region.

ii. Encouraging Private Sector Agro-Industry

(1) The GOS will prepare an action plan for encouraging expansion of private agro-industry in the Senegal River Valley identified in the study specified in Section 1.c.ii(1) above.

(2) The GOS will present to USAID/Senegal confirmation of initial implementation of the CNCAS plan for replacing the agricultural credit function of SAED in the Senegal River Valley according to the timetable cited in section 1.c.ii(2) above.

3. Relation to Other Mission Conditionality

As indicated earlier, the major focus of Mission policy is to support agricultural reform and the GOS's cereals policy, using both program and project aid. USAID conditionalities in support of this focus are included in the Senegal PL 480 Title I Loan Agreement (as self-help measures) and in our Agricultural Production Support (APS) Project Grant Agreement as well as in the ESF Structural Adjustment Grant Agreements.

Proposed FY88 or FY89 PL 480 Title I self-help measures deal with: (1) continuation of a liberalized market for local cereals, (2) continuation of the floor price system for local cereals and improvement in its implementation, (3) restructuring the price stabilization mechanism, (4) institutionalizing a national cereals price information system, (5) management of the price regulatory stock, (6) reduction and elimination of the fertilizer subsidy and privatization of fertilizer distribution, and (7) creation of a GOS budget provision for Title II transport costs.

APS conditionality (conditions precedent and covenants) focuses on (1) cereals seeds, (2) credit, (3) use of A.I.D.-approved pesticides, and (4) establishment of a monitoring plan. Conditions precedent relating to seeds emphasize elimination of subsidies to governmental organizations distributing seeds and separation of the seed production and seed certification functions of the Ministry of Rural Development's seed directorate; special covenants call for good faith efforts to transfer seed multiplication to the private sector within three years from signature of the Grant Agreement and revision

by the GOS of regulations so as to conform to generally accepted international seed standards. A condition precedent relating to credit refers to exemption from Central Bank (BCEAO) credit quotas of the credit facility to be established under the project; special covenants deal with (a) agreement that no new credit programs for agricultural inputs will be established by any GOS organization and that existing GOS credit programs will reflect the real costs of operating such programs, (b) agreement by the GOS to undertake good faith efforts to help credit institutions to collect outstanding debts, and (c) agreement not to take any actions (such as requesting cancellation of loan repayments) that may undermine or impede the credit component of the project.

E. Studies and Technical Assistance

Two of the studies to be financed under ESF-VI are specified in the conditionality set out in Section III above: disengagement of SAED from milling and marketing of rice in the Senegal River Valley; and ways to expand private sector agro-industry in the Senegal River Valley. We also may need to fund further studies or technical assistance related to artisanal processing of local cereals. We may be called upon to provide technical assistance to artisanal millet processors.

The following is an indicative budget for the studies and technical assistance component of the ESF-VI program.

<u>Code</u>	<u>Title</u>	<u>\$000</u>
01	Modalities and timing for disengagement of SAED from milling and market of rice in the Senegal River Valley	75
02	Expanding private sector agro-industry in the Senegal River Valley	100
03	Rice policy review	75
09	Other studies and technical assistance	<u>50</u>
TOTAL		300

F. Budget Support to the GOS

The specific use of local currency counterpart of the cash transfer that we intend continues payment of GOS arrears to the private sector. The Program Grant Agreement incorporates the procedures set forth in our Memorandum of Agreement of September 24, 1987 (Ref C) with the GOS on ESF Accounting Procedures. The purpose of the ESF structural adjustment grants is to achieve structural adjustment. The quid pro quo is budget support to ease the strains induced by structural adjustment. The particular local currency uses of our budget support are linked to Mission objectives of private sector expansion and stabilization. The use eases the financial burden of private sector enterprises which are unwillingly providing suppliers' credit to the GOS.

The framework for quantitative analysis of the continued need for budget support is the financial operations table (TOF) prepared by the GOS Ministry of Economy and Finance and the IMF as the basis for the quarterly review of GOS compliance with the performance criteria of the IMF stand-by agreements. GOS current expenditures are already severely squeezed with tight restrictions on new personnel, and salary increases and inadequate allocations for goods and services. Nevertheless, the GOS is reducing its arrears to local suppliers (as one of the IMF performance criteria).

GOS internal resources are inadequate for current expenditures. GOS revenues have been buoyed by windfalls from world price declines in petroleum and rice which are now being eroded. Tax revenues have increased with improved customs tariff collections, but significant increases in direct tax revenues will depend on improvements in tax administration and further reform of the tax code, still several years down the line.

The public investment program is almost entirely donor-funded by bilateral and multilateral aid programs.

As noted earlier, current subsidies have been reduced, but the GOS is still obliged to pay off accumulated CPSP arrears on the perequation to the CSS. The current deficit of the peanut sector is partly covered by the GOS out of its receipts from the EEC STABEX fund, but the GOS remains legally responsible for SONACOS deficits. The external debt burden remains heavy.

On a day-to-day basis, the GOS's need for budget support becomes painfully acute at the end of each quarter, as demonstrated by the delay in meeting the conditionality for release of the final tranche of the World Bank's SAL-III which caused a mini-crisis over the IMF's performance criteria for 3/31/88.

The short-run budget situation of the GOS is perennially precarious, and the budgetary situation for 1988/89 will be particularly tight. Government revenues from internal sources declined steadily as a proportion of GDP from 20.1 percent in 1981/82 to 17.9 percent in 1985/86, picked up slightly to 18.6 percent in 1986/87, and are projected to fall back to 17.9 percent in 1987/88. The prospects for 1988/89 are more severe. Tax revenues are increasing only slowly. Increases in world prices for petroleum and rice have reduced the windfall gains to the Senegalese Treasury, from price declines. Furthermore, the GOS has been obliged to pass on part of the windfall to industrial users of fuel oil in an effort to improve the international competitiveness of Senegal's phosphate and fertilizer industries. In addition, in response to the urban political turmoil following the February 28, 1988 national elections, the GOS reduced the rice price from CFAF 160 per kg to CFAF 130 per kg, which will reduce the CPSP's positive perequation on 300,000 Mt of imported rice by CFAF 9.0 billion to CFAF 10.6 billion annually. The GOS has also announced a reduction in the peanut procurement price from CFAF 90/kg to CFAF 70/kg, which will reduce the deficit on next year's (1988/89) peanut exports by CFAF 8 billion (on the assumption that 600,000 MT will be purchased by SONACOS and 400,000 MT will be exported) to CFAF 18 billion; but the reduction will not affect the financial operations table (TOF) accounts

until GOS FY 1989/90. Furthermore, along with the peanut procurement price, the GOS lowered the consumer price of peanut oil, which will lower the receipts of SONACOS immediately. Only the negative effects on the GOS budget of the price changes will be felt in GOS FY 1988/89. In its last quarterly review (3/28/88), the IMF was projecting a financing gap in the TOF for 1988/89 of CFAF 19.4 billion, to which should be added the CFAF 9.0 billion loss of positive perequation on imported rice cited above. The \$9.7 million cash transfer under ESF-VI will fill CFAF 2.7 billion of that gap.

G. Implementation and Management Procedure

1. Financial Mechanisms

The ESF-V structural adjustment grant provides \$9,700,000 for budgetary support in two tranches and \$300,000 for technical assistance and studies related to the purpose of the grant.

Following PAAD approval and signature of the Grant Agreement, and in anticipation of the fulfilment of conditions precedent, a Program Assistance Agreement Abstract will be prepared by the Africa Bureau and forwarded to FM/PAD (the accounting station) for entry into the Agency's records. This Abstract will serve as the obligating document until confirmed copies of the Agreement are received by FM/PAFD. The Mission will prepare a Financing Request for a Cash Transfer signed by both the Mission Director and a representative of the Ministry of Finance. FM/PAFD will schedule the payments through the Federal Reserve Electronic Funds Transfer System to the Central Bank (BCEAO) Account No. 36-058-204 in Citibank in New York or such other account as designated by the GOS.

Once the deposits of the cash transfer are made, the BCEAO will, upon GOS request, create sums equivalent to each tranche of the transferred \$9,700,000 in CFAF in a Special Account ("depot du trésor auprès de la BCEAO/Senegal") at the Central Bank in Dakar. A written letter from the Director of USAID/Senegal to the Treasurer and the Central Bank will constitute Mission concurrence in the use of the funds and permit their release from this Special Account.

USAID/Senegal will manage the \$300,000 used to finance direct contract study and technical assistance services. The funds will be available immediately following obligation and their use will be discussed with the GOS prior to subobligation. It is anticipated that the final disbursement date for use of these funds will be two years following the obligation date.

2. Local Currency Uses

Senegal has employed local currency budget support provided by A.I.D. in the period 1983-1987 primarily to meet its performance criteria under the IMF Standby Agreement. These are inscribed in the Ministry of Finance's financial operations table (TOF). The GOS and USAID jointly select from the TOF

specific line items to be financed by local currency. The principal criteria for selection are that the local currency must both reduce Senegal's arrears and contribute to productivity and job creation.

The CFAF counterpart of the ESF-VI \$9.7 million cash transfer will reduce the GOS budget deficit by contributing to the financing of the payment by the GOS of its arrears to the private sector, one of the performance criteria in the Ministry of Finance's financial operations table (TOF). Payment of GOS arrears serves to ease the liquidity position of private sector enterprises that do business with the GOS and then have to borrow from the banks to stay afloat until they are paid what the GOS owes them. Such use of ESF counterpart will have a positive impact on overall liquidity in the Senegalese economy.

3. Cash Transfer Modalities and Accounting Procedures

The cash transfer component of the grant will be implemented in accordance with the procedures set out in the Program Grant Agreement as originally negotiated with the GOS-USAID/Senegal Memorandum of Agreement dated September 24, 1987 and reproduced in Annex 6. Those procedures were approved in the AFR Bureau's interim guidance reproduced in Annex 7. The dollars of each tranche will be transferred by AID/W, upon instructions from USAID/Senegal, to the special ESF dollar account No. 36-058-204 of the BCEAO at Citibank in New York in the name of the GOS. The BCEAO will deposit the CFAF equivalent to the ESF special CFAF account No. 305.1000.5.106 at the BCEAO in Dakar and at the same time transfer the dollars from the ESF special dollar account to the foreign exchange pool of the West African Monetary Union (WAMU). The GOS will clear the ESF special CFAF account by transfer to the general operating account of the GOS Treasury for the purpose agreed to between the GOS and USAID/Senegal, after confirmation by USAID/Senegal of receipt of a copy of the accounting records justifying that use. USAID/Senegal will subsequently carry out an independent check of the accounting records. The GOS later on will provide USAID/Senegal with copies of accounting records concerning dollar imports of an equivalent amount during the six months following the date of the transfer of funds.

Such books and records as are related to this activity will be maintained for three years for audit purposes.

4. Implementation Schedule

	<u>Timing</u>	<u>Action</u>
1. USAID/Senegal authorizes PAAD.	Nov 88	PRM
2. Grant Program Assistance Agreement (GPAA) finalized in French and English.	Nov 88	PRM
3. GPAA signed by USG and GOS.	Nov 88	PRM
4. Financing request prepared (PRM) and signed by GOS.	Nov 88	PRM
5. All CP's are satisfied for first tranche disbursement.	Dec 88	PRM
6. GOS confirms past expenditures reimbursable by counterpart of first tranche disbursement.	Dec 88	PRM

<u>Implementation Schedule</u>	<u>Timing</u>	<u>Action</u>
7. Program Implementation Letter (PIL) sent to GOS confirming (a) satisfaction of CPs and (b) authorizing release of counterpart as soon as transfer is effected.	Dec 88	PRM
8. Financing request countersigned by USAID/DIR.	Dec 88	PRM
9. Telephone AFR/PD/SWAP to advise that all documents are signed.	Dec 88	PRM
10. Financing request cabled to AID/W.	Dec 88	PRM
11. Funds transferred from U.S. Treasury to BCEAO Account at Citibank N.Y.	Dec 88	AID/W(FM)
12. Telephone confirmation of transfer (AID/W and BCEAO).	Dec 88	PRM
13. Grant Agreement (Short Term) finalized in French and English.	Nov 88	PRM
14. GA signed by USG and GOS.	Nov 88	PRM
15. Studies and technical assistance negotiated by USAID.	Feb 89	PRM

Steps 5 through 12 will be repeated for the second tranche.

5. Mission Management

The direction and implementation of this program are the responsibility of the Program Office and its Economic Analysis Unit.

6. Waivers

It is conceivable that the needed expertise, experience, and relevant French language facility for required technical assistance activities may not be available in the U.S. If needed, the Mission will seek a nationality waiver for supply of services.

VI. Special U.S. Interests

Senegal is a nonaligned, moderate, functioning democracy now in its twenty-seventh year of independence. Following the peaceful transfer of power when founding President Leopold Senghor resigned at the end of 1980 and was succeeded by his Prime Minister, Abdou Diouf, general elections in 1983 returned Diouf to the Presidency for five-year terms and gave his Socialist Party (PS) a majority of seats in the 120-member parliament. Despite the predominance of the PS, there are fifteen other legally recognized parties which are free to hold meetings, advocate their platforms, and generally participate in the political life of the country, an almost unique record in Africa.

The Government has instituted major economic reforms aimed at reducing state intervention in the agricultural and industrial sectors and at encouraging the private sector to take its place. These reforms, worked out in collaboration with the IMF, IBRD, and major western donors, have begun cautiously, but the results to date are encouraging.

Senegal maintains its position as a positive force for moderation and reason on the international scene. President Diouf's tenure as Chairman of the Organization of African Unity saw that regional body infused with a new dynamism and a new willingness to confront the continent's difficult economic and development problems. Within the Non-Aligned Movement and in UN fora, Senegal is playing a role towards encouraging moderate policies and moderate leadership. Senegal has in the past provided troops for various peacekeeping operations, including Shaba II, UNIFIL, and Chad.

Senegal's geostrategic location makes Dakar's air and maritime port facilities of special importance to the U.S. Senegal is a transport nexus and entrepot for West Africa, having among the best air, seaport, and communications facilities in the region. Dakar airport serves as the primary transatlantic emergency landing site during launchings of the NASA space shuttle, and has recently handled USAF shipments of emergency military supplies to Chad. The British Royal Air Force uses Dakar as a refuelling base for its supply flights to the Falkland Islands.

Senegal represents an island of stability and moderation among its neighbors. Senegal's tranquil record since independence and its respect for and encouragement of democratic practices serve as examples for all states in the region. Helping Senegal preserve this enviable position is in the interests of the U.S. and other western-style democracies.

U.S. Government interest in and support for Senegal is demonstrated by the frequent high-level contacts between the two governments. Secretary of State George Shultz chose Dakar as the first stop on his January 1987 visit to Africa, and made a major speech on African (specifically Senegalese) economic reform. Secretary of the Treasury James A. Baker visited Dakar in May 1988 and made a major speech to the BCEAO in support of Senegal's structural adjustment reforms as an example for Africa. President Diouf has been to the United States several times in the last few years, for an official visit to Washington and for various meetings of the United Nations; each time he has had contacts with the most senior levels of the U.S. Government.

To sum up, Senegal has a solid political infrastructure and intellectual heritage, though this heritage rests on a weak, unstable economic base. Senegal's influence as a nonaligned country extends well beyond its borders, and because of its mature, centrist posture, and its quiet but effective role in international affairs, it is held in esteem by many less developed countries, Western Europe and the United States.

Drafted by: PRM:HLubell:mc:6/9/88

HL

Clearances:

DDIR:GCarner draft
PDO:TMyers draft
RLA:EDragon EAD
RCOH:TWalsh Thw 11/17/88
ADO:WNilsestuen draft

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Table 1. Senegal: Gross Domestic Product (Sources and Uses),
1981 - 1988 (Projected)
(in billions of CFAF at current market prices)

Sources and uses	1981	1982	1983	Estimated			1987	Proj. 1988
				1984	1985	1986		
Sources:								
Primary sectors	121.1	185.7	204.7	174.1	218.8	292.8	302.8	320.2
Secondary sectors	171.6	205.3	235.5	280.3	330.1	366.0	403.8	443.1
Mining & quarrying	12.8	10.0	13.7	16.3	20.4	20.7	22.6	24.5
Oil pressing	4.1	11.3	18.8	19.0	23.8	29.3	34.1	37.2
Electricity & water	8.1	11.1	12.8	16.2	18.8	23.1	25.3	27.7
Construction	42.8	60.0	71.2	72.3	78.1	84.5	92.5	101.3
Other industries	133.5	112.5	119.0	156.3	189.0	208.4	229.3	252.2
Tertiary sectors	154.6	316.3	349.3	396.2	434.2	487.3	530.2	577.6
Wages and salaries of government and households	122.1	136.6	150.0	164.9	168.9	149.4	156.3	163.3
Gross domestic product	669.8	844.1	939.5	1,015.5	1,152.0	1,295.5	1,393.1	1,504.4
Uses:								
Household consumption	550.3	660.2	729.2	758.1	925.5	976.1	1,058.1	1,148.0
Government consumption	150.7	169.2	186.5	206.8	213.0	223.5	235.1	247.4
Gross capital formation	102.0	124.5	148.3	151.8	161.3	185.1	197.1	210.9
Changes in inventories	7.7	5.9	3.9	9.9	-3.5	-4.1	0.6	-2.1
Net exports	-141.3	-115.7	-128.4	-110.1	-144.3	-85.1	-97.7	-59.8

Source: Ministry of Economy and Finance, Projections Department (Direction de la Prévision et de la Conjoncture), September 1987. These estimates are approximative at best.

Table 2. Senegal: Quantity of Production of Principal Industrial Commodities, 1981-1986

Commodity	Unit	1981	1982	1983	1984	1985	1986
Phosphates	'000MT	2075.3	1310.2	1587.6	2078.8	2377.0	2266.7
Marine salt	'000MT	140.0	160.0	170.0	170.0	143.0	145.0
Canned tuna	MT	12203.0	23879.0	28174.0	28719.0	27407.0	26705.0
Shellfish	MT	2489.0	2120.0	1303.0	1367.0	3480.0	4060.0
Processed fish	MT	25088.0	28858.0	19632.0	12662.0	7724.0	11753.0
Condensed milk	'000MT	22.1	28.8	26.4	22.1	23.4	27.7
Natural milk	hl	11562.0	14200.0	11055.0	12836.0	8828.0	6801.0
Unrefined oil	'000MT	30.4	219.1	186.3	126.1	81.8	119.0
Refined oil	'000MT	19.9	36.1	47.2	31.6	26.3	24.1
Gilcane	'000MT	41.2	273.1	276.4	305.0	119.9	143.7
Lump sugar	'000MT	37.0	50.1	72.0	74.8	45.6	50.7
Beer	'000hl	177.6	176.1	188.3	163.5	168.0	197.1
Carbonated beverages	'000hl	329.4	287.2	257.8	238.0	266.3	261.2
Thread	MT	844.0	1075.0	1286.0	1875.0	1332.0	1453.0
Dyed and bleached cloth	'000 meters		1373.0	7273.0	4676.0	1625.0	933.0
Raw cotton	'000MT	21.6	18.1	19.4	9.6	36.4	16.1
Leather shoes	'000 pairs	620.8	878.0	705.9	1311.6	613.1	776.4
Plastic shoes	'000 pairs		3071.9	3915.6	2644.4	2337.6	1883.5
Petroleum products	'000MT	632.4	542.3	270.9	341.6	435.9	425.7
Paints and varnishes	MT	2674.0	2761.0	3124.0	2755.0	3289.0	3230.0
Flour (wheat, millet)	'000MT	88.9	80.3	88.9	86.6	66.3	36.4
Fertilizer	'000MT	74.1	47.0	63.6	63.1	63.2	62.4
Scap	'000MT	36.1	35.9	38.5	35.0	29.7	29.7
Cement	'000MT	396.0	375.4	388.2	423.6	408.2	369.6
Assembled vehicles	No.	277.0	269.0	348.0	504.0	341.0	219.0
Metal packaging	mill. units		94.7	120.4	143.6	146.4	127.9
Household articles in enameled metal	MT	2738.0	3047.0	1726.0	1269.0	1068.0	1050.0
Electricity	mill. kWh	606.1	628.9	669.2	684.6	756.0	750.0
Water	mill. m3	63.3	57.0	65.6	72.7	66.2	78.0

Source:

1981-1984 : Ministry of Economy and Finance, Situation Economique du Sénégal, 1984.
 1985, 1986: Ministry of Economy and Finance, direct communication.

Table 3. Senegal: Index of Industrial Production, 1981-1987
(1976 = 100)

Industry branch	Weights (in %)	1981	1982	1983	1984	1985	1986	Jan- March 1986	Jan- March 1987
Mining	18.5	111.0	77.4	77.0	103.2	112.6	116.7	120.8	96.1
Phosphates	16.2	110.2	69.9	78.5	106.7	114.5	119.0	121.7	109.3
Food processing other than oil pressing	30.9	116.1	121.2	122.7	124.4	130.0	112.7	179.1	204.5
Food processing including oil pressing	43.1	88.5	105.2	109.7	102.8	103.2	88.4	150.5	167.9
Fish canning and preserves	2.8	163.2	181.3	151.0	139.6	170.3	193.1	190.4	204.9
Oil pressing	12.2	18.8	64.3	76.7	48.0	35.3	26.8	78.0	75.2
Sugar, confectionery	13.2	140.5	140.7	138.1	154.0	166.1	127.6	224.6	314.7
Textile, clothing & leather industries	12.3	110.4	147.6	136.3	137.9	133.9	78.7	123.0	99.7
Textiles		123.3	166.3	153.8	153.4	155.9	86.8	120.5	107.8
Clothing and leather		54.1	66.2	60.0	72.6	38.3	43.7	109.6	64.0
Wood working industries	0.5	127.1	140.9	133.0	124.7	119.0	100.6	122.2	129.7
Paper and cardboard industries	1.8	120.6	121.0	137.5	132.0	120.1	176.5	119.4	105.3
Chemical industries	11.4	83.5	80.2	73.1	69.5	77.9	75.3	81.4	71.7
Petroleum refining	1.6	96.3	80.1	40.9	48.8	61.3	56.5	31.7	92.5
Fertilizer, pesticides	3.7	72.7	42.6	55.8	58.2	54.5	55.5	52.2	68.6
Plastic and rubber products	2.8	71.8	91.8	75.0	74.3	120.1	67.5	101.9	27.0
Construction materials	3.3	94.7	91.1	109.0	112.6	94.1	91.7	95.3	133.5
Mechanical industries	4.0	61.8	74.3	95.0	98.0	78.1	78.9	62.3	113.3
Machinery and equipment	1.9	29.4	37.6	43.3	55.5	50.7	35.6	38.0	103.8
Energy	5.1	134.6	141.4	144.3	155.3	155.0	166.3	171.2	180.5
Electricity	2.7	132.5	138.0	146.2	149.7	165.2	164.5	188.4	197.2
Water	2.4	137.0	145.2	142.1	157.4	143.5	168.3	151.9	161.7
Sub-total excluding oil pressing	87.8	108.2	108.3	108.4	115.4	117.6	106.0	134.4	139.0
Total including oil pressing	100.0	97.2	103.0	104.5	107.2	107.6	96.3	127.6	131.3

Source: Ministry of Economy and Finance, Statistics Department.

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Table 4: Agricultural Production, 1981/82-1987/88
(quantities in '000 MT)

Crop	1981/82	1982/83	1983/84	1984/85	1985/86	Est. Im. 1986/87	Proj. 1987/88
Industrial peanuts:							
Production	866.6	1145.4	570.9	500.0	590.4	821.8	853.3
Sales	678.7	898.9	347.3	231.8	340.3	591.2	550.0
Deliveries in shell to oil-pressers	517.1	700.9	216.0	145.0	270.9	555.5	510.0
Producer price (CFAF/Kg)	70.0	70.0	70.0	80.0	90.0	90.0	90.0
Edible peanuts:							
Production	5.3	18.3	20.7	13.1	10.7	23.3	22.9
Sales	4.7	13.7	4.6	3.7	7.3	20.8	20.0
Producer price (CFAF/Kg)	74.5	78.8	78.8	78.8	95.0	95.0	95.0
Cotton:							
Production harvested	33.7	43.7	31.0	33.8	37.6	26.6	36.0
Purchase price (CFAF/Kg):							
1st quality	68.0	70.0	70.0	70.0	100.0	100.0	100.0
2nd quality	62.0	62.0	62.0	62.0	90.0	90.0	90.0
3rd quality	35.0	35.0	35.0	35.0	55.0	55.0	55.0
Millet-sorghum:							
Production	986.0	585.2	351.8	471.4	953.6	633.8	801.3
Sales	31.7	-	-	1.7	7.7	8.0	*
Producer price (CFAF/Kg)	50.0	50.0	55.0	60.0	70.0	70.0	70.0
Paddy rice:							
Production	127.0	105.2	109.8	137.1	152.1	148.4	135.8
Producer price (CFAF/Kg)	51.5	51.5	60.0	66.0	85.0	85.0	85.0
Maize:							
Production	68.0	82.2	60.6	98.5	147.0	107.9	113.6
Sales	0.5	-	-	0.5	1.4	1.3	*
Producer price (CFAF/Kg)	47.0	47.0	50.0	60.0	70.0	70.0	70.0
Niebe (cowpeas):							
Production	28.7	12.6	12.9	15.7	80.0	54.9	28.0
Producer price (CFAF/Kg)	43.0	43.0	43.0	60.0	110.0	110.0	110.0
Manioc:							
Production	33.7	9.5	46.1	50.0	31.0	75.0	52.9

Source: Ministry of Economy and Finance, Projections Department and USAID/Senegal, Agricultural Development Office, citing Ministry of Rural Development, Agricultural Production Department.

* Not available. Total of sales of millet-sorghum and maize is estimated at 25,000 MT.

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Table 5. Senegal: Balance of Payments 1983/84-1987/88
(in millions of US \$)

Category	1983/84	1984/85	1985/86	1986/87	Prog. 1987/88 ^{1/}
Trade balance	-244.2	-254.3	-258.7	-234.4	-209.2
Exports, f.o.b.	618.5	520.0	582.9	748.9	828.9
Imports, f.o.b.	-862.7	-774.8	-841.6	-983.3	-1038.1
Invisibles, net	-16.6	-26.2	-16.7	-5.5	8.5
Services, net	-157.6	-159.8	-190.2	-221.4	-246.6
Credits	337.5	309.2	408.2	516.2	513.3
Debits (including interest due on public debt)	495.1	469.0	598.4	737.6	759.9
Transfers, net	141.0	133.6	173.5	215.9	255.1
Public	170.4	147.6	179.1	224.1	245.7
Private	-29.4	-14.0	-5.6	-8.2	9.4
Current account balance	-260.8	-281.0	-275.4	-239.9	-200.7
Capital account	216.4	187.4	173.5	186.2	212.8
Public capital	143.4	115.5	111.7	122.1	256.2
Drawings	233.3	197.7	218.8	286.9	465.4
Amortization	-89.9	-82.2	-107.1	-164.8	-209.2
Private capital	73.0	71.9	61.8	64.1	-43.4
Errors and omissions	-70.0	-54.9	-6.1	-	-
Overall balance	-114.4	-148.5	-108.0	-33.7	12.1
Debt rescheduling	83.1	73.6	77.3	86.0	35.0
Overall balance after debt resched.	-31.3	-74.9	-30.7	32.3	97.1
Financing	31.3	74.9	30.7	-32.3	-97.1
Arrears	-	18.2	-12.9	-11.4	-
Central Bank	31.3	56.7	43.6	-20.9	-37.1
IMF	57.1	4.7	-9.1	-1.4	11.7
Other	-25.8	52.0	52.7	-19.5	-108.8
Exchange rate:					
US\$/SDR	1.055	0.991	1.098	1.280	1.300
SDR/US\$	0.947	1.009	0.910	0.781	0.769

Source: GOS Ministry of Finance, Projections Department, December 1987. Converted from SDR according to rates in IMF, International Financial Statistics.

^{1/} The numbers are subject to some minor changes, following the review of the program to be completed by March 1988.

Table 6. Senegal: Imports 1981-1987
(value in CFAF billions, volume in '000 MT, prices in CFAF/kg)

Commodity	1981	1982	1983	1984	1985	1986	Prelim. 1987
Petroleum products	80.8	96.1	90.9	112.6	87.6	46.9	46.0
Cruda petroleum							
Value	47.1	44.3	29.5	37.8	13.2	27.1	22.9
Volume	604.2	473.7	304.5	383.7	132.6	600.0	519.1
Price	78.0	93.5	96.9	98.5	99.8	45.2	44.1
Finished products							
Value	33.7	51.8	61.4	74.8	74.4	19.8	23.1
Volume	386.2	510.7	653.7	706.9	763.8	313.9	445.0
Price	87.3	101.4	94.0	105.8	97.4	63.1	52.0
Major food products	69.1	72.2	86.6	105.5	107.8	84.4	76.1
Rice							
Value	27.0	28.1	33.8	34.2	27.3	17.6	12.9
Volume	339.8	375.6	380.0	371.9	336.5	318.1	286.7
Price	79.5	74.6	89.0	92.0	81.2	55.4	45.1
Wheat							
Value	5.5	6.8	6.5	7.1	7.1	4.2	3.2
Volume	100.5	112.3	116.5	118.5	97.6	100.0	110.2
Price	54.5	60.5	56.7	59.9	72.8	42.0	28.8
Sugar							
Value	7.0	5.1	2.7	2.0	-	-	-
Volume	51.7	51.8	25.6	25.2	-	-	-
Price	135.4	98.1	105.5	79.4	79.4	57.4	-
Other food products	29.6	32.2	43.5	62.2	73.4	58.8	60.0
Beverages and tobacco	4.2	4.9	5.8	6.1	7.2	8.8	9.7
Other consumption goods	36.9	30.7	54.2	48.9	54.0	57.8	62.7
Equipment goods	32.5	45.0	62.5	47.0	51.7	48.9	56.2
Intermediate goods	68.8	82.1	93.8	109.5	120.4	112.5	127.0
Subtotal: Special commerce, c.i.f.	292.3	350.9	393.9	429.6	428.8	359.3	377.7
Entrepots and adjustments	19.3	-46.6	-12.8	-12.2	-25.4	-20.7	-19.2
Subtotal: General commerce, c.i.f.	311.6	304.3	381.1	417.4	403.3	338.6	358.5
Freight and insurance ^{1/}	37.4	36.5	45.7	50.1	48.4	40.6	43.0
General commerce, f.o.b.	274.2	267.8	335.4	367.3	354.9	298.0	315.5

Sources: Ministry of Finance, Projections Department, citing also CPSP and BCEAO/Agence Nationale (Sénégal).

^{1/} 12 percent of general commerce, c.i.f.

Table 7. Senegal: Exports, 1981-1987 (in CFAF)
(values in billions of CFAF, volumes in '000 MT, prices in CFAF/kg)

Commodity	1981	1982	1983	1984	1985	1986	Estim. 1987
Peanut products							
Value	9.1	42.1	55.5	54.5	23.7	23.6	29.2
Unrefined oil							
Value	6.2	31.1	36.3	39.3	18.4	16.7	21.5
Volume	21.6	151.5	157.9	85.5	40.0	80.4	127.5
Price	287.0	205.3	229.9	459.7	460.7	207.7	168.8
Refined oil							
Value	0.1	0.3	1.5	3.3	1.0	0.1	0.3
Volume	0.4	0.8	5.8	7.0	1.9	0.3	1.0
Price	250.0	375.0	266.6	472.8	562.2	330.0	247.3
Oilcake							
Value	1.9	10.1	13.6	7.7	4.2	5.6	7.4
Volume	31.9	194.9	214.4	94.8	72.7	124.8	175.0
Price	59.6	51.8	63.4	81.0	57.8	44.9	42.1
Peanuts							
Value	0.9	0.6	4.1	4.2	0.1	0.2	0.02
Volume	2.9	4.6	24.7	16.1	0.2	1.1	0.2
Price	310.3	130.4	166.0	261.5	500.0	181.8	97.3
Phosphates							
Value	19.9	18.3	18.7	28.6	26.0	23.4	23.2
Volume	1333.4	1102.8	1265.0	1514.0	1575.5	1668.7	1740.0
Price	14.9	16.6	14.8	18.9	16.5	14.0	13.3
Fish							
Value	27.9	30.2	37.3	49.5	54.0	56.6	57.5
Fresh fish							
Value	17.3	18.5	21.1	28.3	31.0	33.0	33.0
Volume	53.9	53.7	53.3	64.3	66.5	70.0	72.5
Price	320.9	344.5	395.9	440.1	466.2	471.4	454.3
Canned fish							
Value	10.6	11.7	16.2	21.2	23.0	23.6	24.5
Volume	15.2	15.4	19.6	24.3	25.0	27.0	29.0
Price	697.4	759.7	826.5	872.4	920.0	875.0	844.4
Fertilizer							
Value	2.6	2.2	4.1	6.7	**	0.9	1.0
Volume	130.4	138.0	173.6	173.6	**	30.9	33.6
Price	20.0	15.9	23.6	38.7	32.6	27.5	26.3
Industries Chimiques Sénégalaises (ICS)							
Value	-	-	-	12.2	18.4	17.0	20.8
Cotton							
Value	2.0	4.8	8.1	6.9	7.1	3.0	3.5
Volume	4.2	10.1	13.6	9.1	10.0	7.5	6.5
Price	476.2	475.3	595.6	758.2	710.0	400.0	538.6

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Table 7 (cont'd). Senegal: Exports, 1981-1987
 (values in billions of CFAF, volumes in '000 MT, prices in CFAF/kg)

<u>Commodity</u>	<u>1981</u>	<u>1982</u>	<u>1983</u>	<u>1984</u>	<u>1985</u>	<u>1986</u>	<u>Estim. 1987</u>
Salt							
Value	2.3	2.8	3.1	5.2	5.2	4.1	6.3
Volume	147.7	155.8	152.2	186.7	137.3	104.3	110.0
Price	15.6	18.0	20.4	27.9	37.9	39.3	57.3
Petroleum products							
Value	38.3	45.8	40.8	43.2	23.0	19.1	27.9
Other							
Value	33.8	33.8	39.4	37.3	39.9	44.0	44.3
Special commerce, f.o.b.							
Value	135.9	180.0	206.8	244.1	197.4	190.7	213.6
Entrepot trade & adjust.							
Value	3.1	-15.1	14.4	24.0	18.6	21.0	20.4
General commerce, f.o.b.							
Value	139.0	165.0	221.4	268.1	216.0	211.7	234.0

Source: Ministry of Finance, Projections Department, September 1987.

Table 8. Government of Senegal Financial Operations Table (TOF),
1983/84 - 1987/88
(in billions of CFAF)

Funding category	1983/84	1984/85	1985/86	1986/87	Program 1987/88 ^{1/}
1. Total revenues and grants	201.6	216.1	237.9	266.1	253.7
a. Revenues	189.4	203.9	218.7	251.0	252.1
i. Tax revenue	(177.4)	(190.1)	(185.1)	(196.0)	(212.1)
ii. Non-tax revenue	(12.0)	(13.8)	(33.6)	(55.0)	(50.0)
b. Grants	12.2	12.2	19.2	15.1	11.7
i. Capital	(6.3)	(5.0)	(8.0)	(9.0)	(10.8)
ii. Other	(6.2)	(7.2)	(11.2)	(6.1)	(10.9)
2. Current expenditure	205.3	217.1	220.3	232.7	240.5
a. Wages and salaries	100.4	106.0	111.8	119.8	122.1
b. Interest due on public debt	36.9	44.4	41.0	39.6	-5.1
i. External	(36.4)	(43.8)	(40.3)	(39.3)	(-2.1)
ii. Internal	(0.5)	(0.6)	(0.7)	(0.3)	3.0
c. Other current expenditure including transfers	68.0	66.1	67.5	73.3	73.2
3. Treasury special accounts other than Caisse Autonome d'Amortissement (net)	-6.9	-4.1	-12.9	-14.8	-13.0
4. Treasury correspondents (net)	6.2	1.7	1.0	-0.2	10.5
a. CPSP	-	-	-	6.3	18.5
b. Other	6.2	1.7	1.0	-6.5	-8.0
5. Balance on current operations (1-1bi-2+3+4)	-10.4	-8.4	-2.3	9.4	30.1
6. Capital expenditure	40.3	34.7	33.8	38.1	45.0
a. Budgetary	10.0	9.7	5.8	8.1	15.0
b. Extrabudgetary	30.3	25.0	28.0	30.0	30.0
7. Total expenditure and net lending (2-3-4+6)	246.3	254.2	266.0	258.8	288.0
8. Global fiscal deficit (-) (commitment basis) ^{c/}	-44.7	-38.1	-28.1	-19.7	-4.1
9. Changes in payment arrears (reduction = -)	-2.0	-7.6	-9.6	-14.0	-14.0
10. Reimbursement and adjustment of crop credit	-20.6	-4.0	-3.0	-12.3	-24.2
11. Global deficit (cash basis) (8+9+10) ^{c/}	-67.3	-49.7	-40.7	-46.0	-42.3

(continued on next page)

Table 3 (cont.). Government of Senegal Financial Operations Table (TOF),
1983/84 - 1987/88
(in billions of CFAF)

Funding category	1983/84	1984/85	1985/86	1986/87 ^{d/}	Proj. 1987/88
12. Financing requirement	67.3	49.7	40.7	46.0	42.3
External financing	36.7	38.0	28.0	52.0	43.4
a. Drawings	35.9	40.9	36.7	76.8	78.1
1. GOS Treasury ^{a/}	(11.6)	(20.9)	(16.7)	(55.8)	(58.9)
11. Other	(24.3)	(20.0)	(20.0)	(21.0)	(19.2)
b. External debt rescheduling	-28.4	-31.2	20.9	19.1	18.9
c. Amortization payments due	29.2	28.3	-29.6	-43.9	-53.6
Domestic financing	30.6	11.7	12.7	-6.0	-5.1
a. Banking system ^{b/}	35.2	17.9	19.6	1.8	6.5
b. Repayment of CNCAD debt to banks	-8.8	-10.0	-8.0	-12.0	-8.6
c. Non-bank borrowing (long term domestic loans)	1.4	2.0	0.8	2.2	0.0
Other	2.8	1.8	0.3	2.0	-3.0
Financing gap	-	-	-	-	4.0
a/ GOS Treasury:					
Saudi Arabia	-	18.1	-	1.8	-
Caisse Centrale (France)	5.3	2.8	-	12.5	12.5
U.S.	-	-	1.0	2.9	6.0
World Bank	-	-	10.7	12.7	25.7
STABEX	-	-	5.0	18.4	8.5
Other	6.3	-	0.0	7.5	7.9
Total	11.6	20.9	16.7	55.8	60.6
b/ Banking system:					
Statutory overdraft	1.9	-0.7	8.4	1.4	-
Caisse Centrale (France)	5.9	7.2	8.0	-	-
IMF (drawings)	27.1	16.7	17.7	17.1	19.5
Structural Adjustment Facility	(-)	(-)	(0.0)	(6.7)	(10.0)
Other	(27.1)	(16.7)	(17.7)	(10.4)	(9.5)
IMF (repurchases)	-	-8.8	-16.3	-15.8	-16.0
Other deposits	0.3	3.5	1.8	-0.9	3.0
Total	35.2	17.9	19.6	1.8	6.5
c/ Relation to GDP:					
Gross domestic product (GDP)	977.4	1,101.2	1,229.5	1,350.2	1,460.3
Overall fiscal deficit (-) (commitment basis) as % of GDP	-4.6	-3.5	-2.29	-1.5	-0.5
Overall deficit (cash basis) as % of GDP	-6.9	-4.5	-3.31	-3.40	-2.9
d/ As of 12/17/87.					

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Table 9. Government of Senegal: Tax and Non-Tax Receipts by Category, 1979/80 - 1987/88
(amounts in billions of CFAF)

Receipts category	1979/80	1980/81	1981/82	1982/83	1983/84	1984/85	1985/86	Revised 1986/87	Program 1987/88
1. Taxes on income and profits	31.3	29.8	32.4	37.0	41.0	44.3	44.0	45.4	47.8
a. Corporate profit tax and tax on professional income	11.2	10.3	8.9	9.8	10.6	13.2	12.1	12.8	12.5
b. Tax on wages and salaries	8.8	8.4	12.6	11.9	12.3	13.0	13.8	14.5	15.8
c. Tax on capital income	2.7	2.8	2.1	2.6	3.2	3.6	3.5	3.2	3.6
d. Tax on rental income	0.2	0.4	0.4	0.3	1.1	0.7	0.5	0.3	0.4
e. Tax on real estate capital gains	0.2	0.1	0.1	0.2	0.2	0.2	0.4	0.3	0.4
f. General income tax	8.2	7.8	8.3	12.2	13.6	13.6	13.7	14.3	15.1
2. Employers' payroll tax	2.1	2.1	1.6	3.8	4.3	4.5	4.7	5.1	5.9
3. Taxes on property	3.3	3.9	3.4	2.8	2.8	2.8	3.3	3.4	4.3
a. Real estate taxes	1.3	1.4	1.3	0.5	0.2	0.3	0.0	0.0	0.0
b. Registration duties	1.9	2.1	1.9	2.2	2.5	2.4	3.2	3.2	4.0
c. Mortgage duties	0.1	0.4	0.2	0.1	0.1	0.1	0.1	0.2	0.3
4. Taxes on goods and services	40.1	36.6	41.0	48.8	54.2	58.2	58.0	60.4	67.0
a. Value added and services	21.5	20.7	25.9	32.9	43.6	48.0	48.6	50.3	55.8
b. Specific tax ^{1/} on petroleum products	9.3	7.8	7.1	6.2	-	-	-	-	-
c. Other excises	4.5	3.9	3.7	4.2	5.1	4.3	4.1	4.5	5.0
d. Tax on insurance contracts	1.0	0.8	6.9	1.3	1.2	1.4	1.2	1.4	1.4
e. Tax on vehicles	1.1	1.2	1.1	1.2	1.2	1.6	1.6	1.7	2.0
f. Business license fees	0.1	0.1	-	-	-	-	-	-	-
g. Taxes on alcohol and cement	2.6	2.1	2.3	3.0	3.1	2.9	2.5	2.5	2.8
5. Taxes on foreign trade	52.6	44.6	60.6	71.2	74.2	78.0	73.7	60.0	84.7
a. Import duties	49.8	43.1	59.3	69.8	73.2	77.6	73.4	79.4	84.0
b. Export duties	2.8	1.5	1.3	1.4	1.0	0.4	0.3	0.6	0.7
6. Other taxes ^{2/}	1.6	1.6	1.1	1.2	1.6	1.7	1.4	1.7	2.5
7. Total tax revenue	131.0	118.6	140.1	164.8	178.1	189.5	185.1	196.0	212.2
8. Non-tax receipts of which:	8.4	7.3	12.2	11.2	12.2	13.6	33.6	55.0	50.0
CFSP	-	-	-	-	-	-	2.5	-	-
SAR	-	-	-	-	-	-	19.3	45.0	36.0
9. Total receipts	139.4	125.9	152.3	176.0	190.3	203.1	218.7	251.0	262.2

Source: Projection Department, Ministry of Finance, December 1987.

^{1/} The specific tax on petroleum products was replaced by a value-added tax in 1983/84.

^{2/} Including stamp duties.

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Senegal: FY 1988 ESF-VI PAAD

Annex 1

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Table 10. Surplus or Deficit on Exports of Peanut Products,
1983/84 - 1987/88

<u>Category</u>	<u>1983/84</u>	<u>1984/85</u>	<u>1985/86</u>	<u>1986/87</u>	<u>1987/88</u>
A. Unit cost and price (CFAF/kg):					
1. Procurement price:					
a. Gross	70.0	80.0	90.0	90.0	90.0
b. <u>less</u> Retention	-20.0	-20.0	-	-	-
c. Net	50.0	60.0	90.0	90.0	90.0
2. Processing costs	24.8	27.5	23.0	21.8	17.0
3. Total cost	74.8	87.5	113.0	111.8	107.0
4. World price (CFAF equivalent at current exchange rate)	133.2	152.8	75.0	36.4	45.0
5. Surplus (+) or deficit (-) on exports	58.4	65.3	-38.0	-75.4	-62.0
B. Peanut equivalent of quantity of peanut products exported ('000MT)					
	209.5	139.6	275.0	397.0	550.0 a/
C. Surplus (+) or deficit (-) on peanut exports (CFAF billion) [A.5x3]					
	12.2	9.1	-10.5	-29.9	-34.1

Source: Mission estimate.

a/ The 550,000 MT export figure assumes no imports of vegetable oil by SONACOS. If all of local production and stocks (720,000 MT) were to be exported, the deficit would amount to CFAF 44.6 billion, of which CFAF 13 billion would be offset by the profit on vegetable oil imports.

4445P

Table 11. Sugar Production and
Subsidy Accruing to Compagnie Sucrière Sénégalaise (CSS),
1983 - 1986

<u>Category</u>	<u>1983</u>	<u>Prelim. 1984</u>	<u>1985</u>	<u>1986</u>	<u>1987</u>
A. Quantities (MT) (crop years) <u>a/</u>					
Refined sugar:					
Production	74,973	79,098	73,493	63,500	70,246
Consumption (= CSS sales)	72,389	74,807	67,685	59,108	68,455
Imports (crystallized sugar) <u>b/</u>	3,985	-	-	2,000	-
Sugarcane production at Richard Toll	628,088	569,541	633,634	660,000	711,307
Imports of unrefined sugar (roux) by CSS	27,613	28,294	12,477	-	-
B. CFAF millions					
Negative perequation (deficit) of CSS (calendar years) <u>c/</u>	1,548 <u>d/</u>	755	3,050	6,027	3,000 <u>e/</u>
CPSP payments to CSS (calendar years)	-	-	1,650	1,000	6,000 <u>f/</u>
Cumulative arrears owed to CSS at end of period	1,548	2,303	3,703	9,000	3,000 <u>g/</u>

a/ Crop year 1983 = 1982/83, etc.

b/ Imports by CSS. In addition, some 10-15MT are smuggled into Senegal.

c/ Approximately calendar years.

d/ Including balance of CFAF 12 billion on 12/31/82.

e/ Figure as of 10/31/87.

f/ Paid in July 1987.

g/ CFAF 1.5 billion payable in March 1988 and the rest in March 1989.

Source: Production, consumption, and imports:

1983 - 1985: CSS.

1986: CPSP.

1987: Gaisse Centrale de Coopération Economique.

CSS perequation: CPSP.

Table 12. Senegal: Donor Assistance, CY 1987 Commitments
(In millions of US\$)

Donor	Non-project			Project			Food aid			Total		
	Grant	Loan	Total	Grant	Loan	Total	Grant	Loan	Total	Grant	Loan	Total
Multilateral	<u>56.4</u>	<u>162.2</u>	<u>218.6</u>	<u>114.0</u>	-	<u>114.0</u>	<u>16.6</u>	-	<u>16.6</u>	<u>187.0</u>	<u>162.2</u>	<u>349.2</u>
IMF	-	74.8 a/	74.8	-	-	-	-	-	-	-	74.8	74.8
World Bank	-	88.2	88.0	12.0	-	12.0	-	-	-	-	88.0	100.0
EEC	56.4 b/	-	56.4	92.0	-	92.0	-	-	-	148.4	-	148.4
UNDP	-	-	-	10.0	-	10.0	16.6	-	16.6	26.6	-	26.6
Bilateral	<u>93.6</u>	<u>71.3</u>	<u>164.9</u>	<u>216.9</u>	<u>125.5</u>	<u>342.4</u>	<u>13.2</u>	<u>10.0</u>	<u>23.2</u>	<u>323.7</u>	<u>206.6</u>	<u>530.3</u>
U.S.A.	11.6	-	11.6	21.2	-	21.2	3.2	10.0	13.2	36.0	10.0	46.0
FAC (France)	73.0	-	73.0	11.3	-	11.3	-	-	-	84.3	-	84.3
CCCE (France)	-	71.3	71.3	-	53.0	53.0	-	-	-	-	124.3	124.3
Canada	-	-	-	20.4	-	20.4	4.0	-	4.0	24.4	-	24.4
Italy	-	-	-	131.3	41.0	172.3	-	-	-	131.3	41.0	172.3
Japan	-	-	-	23.0	-	23.0	6.0	-	6.0	29.0	-	29.0
South Korea	-	-	-	-	-	-	-	-	-	-	-	-
F.R. of Germany	-	-	-	6.1	15.1	21.2	-	-	-	6.1	15.1	21.2
Netherlands	9.0	-	9.0	3.6	-	3.6	-	-	-	12.6	-	12.6
Arab countries 1/	-	-	-	-	16.4	16.4	-	-	-	-	16.4	16.4
Combined total	<u>150.0</u>	<u>234.1</u>	<u>384.1</u>	<u>330.9</u>	<u>125.5</u>	<u>456.4</u>	<u>29.8</u>	<u>10.0</u>	<u>39.8</u>	<u>510.7</u>	<u>369.6</u>	<u>880.3</u>

a/ Drawing on IMF (gross). The net position was as follows:

	Million \$	Billion CFA
Drawings	74.8	21.9
Repayments	57.1	16.7 (at exchange rate of the day)
Net position	17.7	5.2

b/ STABEX (for the time being considered as a grant).

1/ Algeria, BADEA (Banque Arabe pour le Développement Economique de l'Afrique), OPEC.

Source: USAID/Senegal estimates from donor Missions in Dakar, using the following average rates of exchange per U.S. dollar for 1987 as recorded in IMF, International Financial Statistics:

FF	6.07
Can \$	1.34
DM	1.82
Lire	1302.95
Yen	147.92
CFAP	303.83

PKH:MCHB:rs:2/29/88
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ANNEX 2

Summary and Time Frame for Macroeconomic
and Structural Adjustment Policies
1987/88 - 1989/90

(from "Senegal: Policy Framework Paper 1987-90",
dated September 28, 1987, pp. 17-24)

Table 2. Senegal: Summary and Time Frame for Macroeconomic and Structural Adjustment Policies, 1987/88-1989/90

	<u>Objectives and Targets</u>	<u>Strategies and Measures</u>	<u>Timing of measures 1/</u>
1. <u>Agricultural policy reform</u>	Expand and diversify domestic production, curb government intervention and subsidies, and reduce income disparities between rural and urban areas.	Continue the process of reform envisaged in the new agricultural policy.	1987/88, 1988/89, and 1989/90.
a. Cereals policy	Promote food security, and reduce reliance on rice imports.	Continue to implement the Cereals Plan.	1987/88, 1988/89, and 1989/90.
		Complete study to determine future producer prices of cereals and other agricultural commodities and, on this basis, announce appropriate producer prices for the 1988/89 and 1989/90 crop seasons.	1988 and 1989
		Develop processed products responsive to consumer tastes, and maintain the retail price of rice at a level that will continue to provide adequate incentives to domestic producers of cereals.	1987/88, 1988/89, and 1989/90.
		Establish a price information system for producers and traders.	July 1987.
		Progressively eliminate fertilizer subsidy.	1987/88, 1988/89, and 1989/90.
b. Groundnut sector	Sustain an adequate level of production and reduce government intervention.	Based on the above study, announce appropriate producer prices for the 1988/89 and 1989/90 crop seasons.	1988 and 1989.
		Prepare study to reduce groundnut marketing costs.	December 1987.

1/ Where a single date is indicated, it means that the measure(s) will be in effect no later than that date; where one year or several years are noted it means that action will be taken in each year.

Source: IBRD, SENEGAL: Policy Framework Paper, 1987-90, Sept. 28, 1987, pp. 17-24.

Table 2 (continued). Senegal: Summary and Time Frame for Macroeconomic and Structural Adjustment Policies, 1987/88-1989/90

	<u>Objectives and Targets</u>	<u>Strategies and Measures</u>	<u>Timing of Measures 1/</u>
		Conduct audit and prepare plan of action to restructure industrial facilities of groundnut processing industry.	March 1988.
c. Agricultural credit	Promote agricultural credit.	Complete study and adopt plan of action regarding the Government's agricultural credit policy.	December 1987.
d. Diversification and export promotion	Develop cash crops for domestic consumption and export. Stimulate domestic and foreign investment for the development of new crops in the Fleuve region, and recover part of the investment costs.	Prepare a draft decree codifying respective roles of rural communities and the Government in allocating irrigated land to foster intensive land use in the Fleuve region.	1987/88.
e. Livestock policy	Stimulate livestock development.	Prepare a livestock development policy and strategy, including decontrol of meat prices, and begin implementing action program for livestock development.	December 1987.
2. <u>Industrial policy reform</u>			
a. Protection system	Rationalize the system of protection to enhance competitiveness and improve export and revenue performance.	Complete the adjustment of the existing rates and harmonize tariffs so as to achieve a lower and more uniform level of effective protection.	July 1988.
		Lift remaining quantitative restrictions on imports.	January 1988.
		Review system of reference prices with a view to eliminating them as protective instruments.	September 1987.

1/ Where a single date is indicated, it means that the measure(s) will be in effect no later than that date; where one year or several years are noted it means that action will be taken in each year.

Table 2 (continued). Senegal: Summary and Time Frame for Macroeconomic and Structural Adjustment Policies, 1987/88-1989/90

	<u>Objectives and Targets</u>	<u>Strategies and Measures</u>	<u>Timing of Measures 1/</u>	
		Revise the Investment Code and streamline procedures to grant code benefits.	July 1987.	
		Follow up on recommendations of studies on special agreements.	1987/88, 1988/89, and 1989/90.	
b.	<u>Simplify regulatory framework</u>	Eliminate distortions and improve resource allocation.	Review the price control system.	June 1988.
		Lift most price controls.	December 1988.	
c.	<u>Simplify labor laws and other regulations</u>	Foster labor mobility.	Revise the Labor Code to enable enterprises to hire without state interference and to renew temporary contracts.	July 1987.
		Design program of further reforms on the basis of studies underway.	April 1988.	
		Eliminate cumbersome administrative constraints, and promote industrial exports.	Develop action plan for streamlining export procedures.	November 1987.
		Implement a program of rationalization of the various institutions involved in quality control, export insurance, and export promotion.	October 1987.	
3.	<u>Energy policy</u>	Develop local sources of supply and restrain energy consumption.	Maintain a structure of retail prices consistent with energy conservation, budgetary requirements, and industrial efficiency.	1987/88, 1988/89, and 1989/90.
4.	<u>Investment programming</u>	Optimize allocation of available resources within a macroeconomic and sectoral framework. Place greater emphasis on directly productive and high-priority rehabilitation activities.	Launch three-year "rolling" public investment programs.	July 1987, July 1988, and July 1989.

1/ Where a single date is indicated, it means that the measure(s) will be in effect no later than that date; where one year or several years are noted it means that action will be taken in each year.

Table 2 (continued). Senegal: Summary and Time Frame for Macroeconomic and Structural Adjustment Policies, 1987/88-1989/90

<u>Objectives and Targets</u>	<u>Strategies and Measures</u>	<u>Timing of Measures 1/</u>
	Introduce appropriate public investment program for each year.	July 1987, July 1988, and July 1989.
Evaluate carefully financing requirements and recurrent cost implications of projects.	Strengthen capabilities of Ministry of Planning and Cooperation.	1987/88, 1988/89, and 1989/90.
	Submit to the Higher Planning Council and adopt proposals to reform the planning system.	June 1987.
	Prepare document defining project selection criteria.	July 1987.
	Implement the computerized monitoring system for public investments.	July 1987.
	Transfer responsibilities for project identification and preparation to certain technical ministries.	March 1988.
	Prepare a study on Senegal's long-term development prospects.	June 1988.
5. <u>Parapublic sector reform</u>	Promote the efficiency of the parapublic sector, and reduce government intervention and subsidies.	1987/88, 1988/89, and 1989/90.
	Initiate privatization of a first group of 10 public/mixed enterprises.	September 1987.
	Liquidate 9 structurally unprofitable public/mixed enterprises.	December 1987.

1/ Where a single date is indicated, it means that the measure(s) will be in effect no later than that date; where one year or several years are noted it means that action will be taken in each year.

Table 2 (continued). Senegal: Summary and Time Frame for Macroeconomic and Structural Adjustment Policies, 1987/88-1989/90

	<u>Objectives and Targets</u>	<u>Strategies and Measures</u>	<u>Timing of Measures 1/</u>
		Finalize and sign contract programs for SAED, SOTRAC, OHLM, OPCE, SOMIVAC, SONACOS, RCFS, SONATRA, and SONEES.	1987/88.
		Redefine the role and responsibilities of public enterprise boards of directors.	September 1987.
	Streamline and reform the Government's institutional setting for overseeing public enterprises.	Initiate action program to strengthen enterprise internal corporate planning, management control systems, and financial accounting.	July 1987.
		Prepare a plan to remove a priori controls over public enterprises by 1990.	July 1987.
		Prepare a study to reform the system of government supervision over public enterprises.	September 1987.
		Reduce and, if possible, eliminate operating subsidies to parastatals, according to an agreed plan.	1987/88, 1988/89, and 1989/90.
6.	<u>Fiscal policy</u>		
	Achieve a turnaround in the Government's fiscal operations, on a commitment basis and including grants, from deficit to surplus.	Improve revenue performance and pursue a prudent spending policy.	1987/88, 1988/89, and 1989/90.
a.	Revenue	Improve revenue performance.	
		Implement the recommendations of the National Commission for Tax Reform and the recent Fund technical assistance missions:	1987/88, 1988/89, and 1989/90.

1/ Where a single date is indicated, it means that the measure(s) will be in effect no later than that date; where one year or several years are noted it means that action will be taken in each year.

Table 2 (continued). Senegal: Summary and Time Frame for Macroeconomic and Structural Adjustment Policies, 1987/88-1989/90

<u>Objectives and Targets</u>	<u>Strategies and Measures</u>	<u>Timing of Measures 1/</u>
	- Enact new customs code.	December 1987.
	- Revise customs tariff.	July 1988.
	- Re-examine the special tax agreements with enterprises.	1987/88, 1988/89, and 1989/90.
	- Study with a view to extending the application of the value-added tax to the distribution sector.	1987/88, 1988/89, and 1989/90.
	- Introduce a revised tax on urban property on the basis of a fiscal cadastre.	1987/88, 1988/89, and 1989/90.
	- Reorganize the customs services and computerize customs clearance procedures.	1987/88, 1988/89, and 1989/90.
	Mobilize the prospective surpluses of the oil and rice sectors in support of the budget.	1987/88, 1988/89, and 1989/90.
b. Expenditure	Maintain tight limits on current government outlays.	
	Control the wage bill by reducing the number of government employees, while keeping the wage drift to a minimum.	1987/88, 1988/89, and 1989/90.
	Reduce government subsidies.	1987/88, 1988/89, and 1989/90.

1/ Where a single date is indicated, it means that the measure(s) will be in effect no later than that date; where one year or several years are noted it means that action will be taken in each year.

Table 2 (continued). Senegal: Summary and Time Frame for Macroeconomic and Structural Adjustment Policies, 1987/88-1989/90

	<u>Objectives and Targets</u>	<u>Strategies and Measures</u>	<u>Timing of Measures</u> ^{1/}
		Make adequate provisions for materials, supplies, and maintenance of essential services; also make adequate provisions for redeployment fund.	1987/88, 1988/89, and 1989/90.
c. Domestic arrears	Progressively eliminate all currently verified domestic arrears of the Government and public agencies.	Allocate adequate resources to liquidate such arrears.	1987/88 and 1988/89.
7. <u>Credit policy</u>	Increase credit to the private sector and improve its distribution, while strictly limiting net government borrowing from the banking system.	Strengthen the existing credit information structure.	1987/88, 1988/89, and 1989/90.
	Improve financial position of the banking system.	Restructure and rehabilitate the banks facing serious difficulties.	1987/88, 1988/89, and 1989/90.
		Strengthen supervision of primary banks by the Central Bank (BCEAO), the Ministry of Economy and Finance, and the Banking Control Commission. Reactivate and strengthen the role of the Banking Association.	1987/88, 1988/89, and 1989/90.
		Review the recommendations of the banking study and adopt a program for their implementation.	December 1987
	Discourage capital flight, mobilize domestic savings, and improve resource allocation.	Follow a flexible interest rate policy.	1987/88, 1988/89, and 1989/90.

^{1/} Where a single date is indicated, it means that the measure(s) will be in effect no later than that date; where one year or several years are noted it means that action will be taken in each year.

Table 2 (concluded). Senegal: Summary and Time Frame for Macroeconomic and Structural Adjustment Policies, 1987/88-1989/90

	<u>Objectives and Targets</u>	<u>Strategies and Measures</u>	<u>Timing of Measures 1/</u>
3. <u>External debt management</u>	Limit external debt service burden to manageable proportions; and re-establish orderly relations with creditors.	Keep new external borrowing on nonconcessional terms to a strict minimum, while intensifying efforts to mobilize resources in the form of grants.	1987/88, 1988/89, and 1989/90.
		Make adequate provisions for the prompt settlement of debt service obligations so as to avoid any external arrears.	1987/88, 1988/89, and 1989/90.
	Strengthen debt management.	Extend computerization system to monitor guaranteed medium- and long-term, as well as on-lent, external debt.	November 1987.

1/ Where a single date is indicated, it means that the measure(s) will be in effect no later than that date; where one year or several years are noted it means that action will be taken in each year.

ANNEX 3

STATUS OF ESF-V CONDITIONALITY
AS OF JUNE 20, 1988
(685-0289/685-K-606)

1. CONDITIONS PRECEDENT TO RELEASE OF FIRST TRANCHE, WHICH WAS EFFECTED ON JUNE 26, 1987:

A. IMPROVING ECONOMIC POLICY REFORM MANAGEMENT: THE GRANTEE WILL PROVIDE CONFIRMATION THAT A PROCEDURE IS IN PLACE FOR HOLDING QUARTERLY MEETINGS BETWEEN USAID AND THE CONCERNED MINISTRIES OF THE GOS TO DISCUSS VARIOUS ASPECTS OF STRUCTURAL REFORM.

ACTION TAKEN: AN INITIAL MEETING OF THE USAID-GOS WORKING GROUP ON POLICY REFORM WAS HELD IN MARCH 1987. A SECOND, INFORMAL, MEETING WAS HELD IN MAY 1987.

B. DAMPING IMPORTED RICE CONSUMPTION: THE GRANTEE WILL PROVIDE THE TERMS OF REFERENCE FOR A STUDY OF MEASURES TO REDUCE IMPORTS.

ACTION TAKEN: TERMS OF REFERENCE FOR A STUDY OF MEASURES TO REDUCE RICE IMPORTS AND DEFINITION OF A FISCAL MECHANISM FOR REPLACING THE RICE PRICE PEREQUATION SYSTEM WERE AGREED UPON IN MARCH 1987.

C. REDUCING AGRICULTURAL SECTOR DEFICITS:

(1) THE GRANTEE WILL CONFIRM THAT SONACOS IS ACTIVELY ATTEMPTING TO COLLECT FROM FARMERS THE PEANUT SEED CREDIT ISSUED DURING CROP YEAR 1986/87 AND WILL PROVIDE A STATUS REPORT ON PAYMENTS TO DATE.

ACTION TAKEN: THE MINISTER OF RURAL DEVELOPMENT REPORTED TO THE INTERMINISTERIAL COUNCIL IN MAY 1987 THAT THE SEED CREDIT WAS ENTIRELY REIMBURSED IN 1987, FOR THE FIRST TIME SINCE INDEPENDENCE.

(2) THE GRANTEE WILL AGREE TO UNDERTAKE A STUDY ON PRODUCER PRICE RELATIONSHIPS BETWEEN CEREALS AND PEANUTS. SUCH A STUDY WILL ALSO EXAMINE PRICE DIFFERENTIALS BETWEEN SENEGAL AND THE GAMBIA.

ACTION TAKEN: TERMS OF REFERENCE WERE AGREED UPON FOR TWO SEPARATE STUDIES: (A) IMPLICATIONS FOR CEREALS POLICY OF ADJUSTING THE PRODUCER PRICE OF PEANUTS TO WORLD PRICES AND (B) HARMONIZATION OF THE PRODUCER PRICE FOR PEANUTS AND THE CONSUMER PRICE OF RICE BETWEEN SENEGAL AND THE GAMBIA.

(3) THE GRANTEE WILL CONFIRM THAT AN AUDIT OF SONACOS HAS BEEN INITIATED.

ACTION TAKEN: THE SONACOS AUDIT, WHICH WAS TO BE FINANCED BY THE WORLD BANK, WAS INITIATED IN THE SPRING OF 1987, BUT IT WAS DELAYED BECAUSE OF DISAGREEMENTS OVER THE TERMS OF REFERENCE. FINALLY, THE FRENCH CAISSE

CENTRALE DE COOPERATION ECONOMIQUE (CCCE) AGREED TO FINANCE THE AUDIT, BUT MADE FURTHER CHANGES IN THE TERMS OF REFERENCE FOR THE AUDIT, WHICH HAS NOW BECOME A BROADER STUDY OF THE WHOLE PEANUT SECTOR. WE HAVE AMENDED THIS CONDITION IN AMENDMENT NO. 1 TO THE GRANT AGREEMENT TO TAKE ACCOUNT OF THE CHANGE IN THE TIMETABLE.

- (4) THE GRANTEE WILL AGREE TO UNDERTAKE AN AUDIT OF THE CSS.

ACTION TAKEN: AN AUDIT-STUDY OF THE CSS WAS COMMISSIONED BY THE CPSP FROM LOUIS BERGER INTERNATIONAL INC. IN COLLABORATION WITH O.C.C.R. INTER G. AND ARTHUR YOUNG (FRANCE). THE GOS ALSO HAS COMMISSIONED A FURTHER STUDY OF THE SUGAR SECTOR BY ARTHUR D. LITTLE.

- D. ENCOURAGING PRIVATE SECTOR AGRO-INDUSTRY: THE GRANTEE WILL PROVIDE THE TERMS OF REFERENCE OF A STUDY ON THE CONSTRAINTS LIMITING THE EFFECTIVENESS OF THE BANKING SYSTEM IN SUPPORT OF SMALL SCALE ENTERPRISES (SMES).

ACTION TAKEN: TERMS OF REFERENCE FOR SUCH A STUDY WERE ESTABLISHED AND AGREED UPON IN MARCH 1987.

2. CONDITIONS PRECEDENT TO RELEASE OF SECOND TRANCHE, WHICH WAS REQUESTED ON DECEMBER 15, 1987 (REF D) AND EFFECTED ON DECEMBER 31, 1987. NOTIFICATION OF APPROVAL FOR RELEASE OF THE SECOND TRANCHE WAS SENT TO THE GOS ON DECEMBER 12, 1987.

- A. IMPROVING ECONOMIC POLICY REFORM MANAGEMENT: USAID WILL DETERMINE THAT THE PROCEDURE FOR HOLDING QUARTERLY MEETINGS BETWEEN USAID AND THE GOS ON PROGRESS ON STRUCTURAL ADJUSTMENT IS FUNCTIONING SATISFACTORILY.

ACTION TAKEN: MEETINGS OF THE USAID-GOS WORKING GROUP ON POLICY REFORM HAVE BEEN HELD ON OCTOBER 21, 1987, DECEMBER 19, 1987, AND JANUARY 6, 1987.

- B. DAMPING IMPORTED RICE CONSUMPTION: THE GRANTEE WILL PROVIDE A DRAFT ACCEPTABLE TO USAID OF THE STUDY ON MEASURES TO REDUCE RICE IMPORTS, AND A TIMETABLE FOR ESTABLISHING A PLAN OF ACTION FOR ACHIEVING THAT END.

ACTION TAKEN: A STUDY (IN FRENCH) ON "MEASURES TO REDUCE RICE IMPORTS AND DEFINITION OF A FISCAL MECHANISM TO REPLACE THE RICE PRICE PEREQUATION SYSTEM" WAS CONTRACTED WITH A SENEGALESE CONSULTANT, FALLOU DYE. THE REPORT WAS DELIVERED IN NOVEMBER 1987.

- C. REDUCING AGRICULTURAL SECTOR DEFICITS:

- (1) THE GRANTEE WILL PROVIDE EVIDENCE THAT THE CROP YEAR 1986/87 PEANUT SEED CREDIT HAS EITHER BEEN REPAID BY THE FARMERS OR ABSORBED BY SONACOS.

ACTION TAKEN: THE COUNCIL OF MINISTERS REPEATED THE ANNOUNCEMENT THAT, FOR THE FIRST TIME SINCE INDEPENDENCE, 100 PERCENT OF THE PEANUT SEED CREDIT WAS REIMBURSED BY THE FARMERS (IN FACT, BY THE COOPERATIVES). THE ANNOUNCEMENT WAS MADE IN A COMMUNIQUE PUBLISHED IN LE SOLEIL ON 11/28/87.

- (2) THE GRANTEE WILL PROVIDE A SUBSTANTIVE PROGRESS REPORT SATISFACTORY TO USAID ON THE STUDY ON PRODUCER PRICE RELATIONSHIPS BETWEEN CEREALS AND PEANUTS.

ACTION TAKEN: A STUDY (IN FRENCH) ON "IMPLICATIONS FOR CEREALS POLICY OF ADJUSTING THE PRODUCER PRICE OF PEANUTS TO WORLD PRICES" WAS CONTRACTED WITH A SENEGALESE CONSULTANT, PAPA SALL. A REPORT WAS DELIVERED IN NOVEMBER 1987.

IN THE MEANWHILE, A STUDY ON "AGRICULTURAL PRICES AND INCENTIVES" WAS COMMISSIONED FROM A FRENCH CONSULTING GROUP BY THE WORLD BANK AND THE FRENCH CCCE. A REPORT IS DUE IN DECEMBER 1987.

- (3) THE GRANTEE WILL PROVIDE A SUBSTANTIVE PROGRESS REPORT ON THE SONACOS AUDIT.

ACTION TAKEN: BECAUSE OF THE DELAYS IN FUNDING OF THE SONACOS AUDIT DESCRIBED ABOVE, THE AUDIT HAS STILL NOT BEEN CONTRACTED FOR BY THE FRENCH CCCE AND THE WORLD BANK. THE TERMS OF REFERENCE HAVE BEEN PROVIDED TO USAID.

THIS CONDITION HAS BEEN AMENDED IN AMENDMENT NO. 1 TO THE GRANT AGREEMENT TO TAKE ACCOUNT OF THE CHANGE IN THE TIMETABLE.

- (4) THE GRANTEE WILL PROVIDE A SUBSTANTIVE PROGRESS REPORT ON THE CSS AUDIT.

ACTION TAKEN: THE COMPLETE REPORT, DATED JUNE 1987, OF THE LOUIS BERGER INTERNATIONAL INC. STUDY OF THE SUGAR SECTOR COMMISSIONED BY THE CPSP HAS BEEN PROVIDED TO USAID.

IN ADDITION, THE GOS HAS COMMISSIONED A FURTHER AUDIT TO BE CARRIED OUT BY ARTHUR D. LITTLE INC. USAID HAS NOT YET RECEIVED A COPY OF THE TERMS OF REFERENCE OF THE A.D. LITTLE AUDIT.

- D. ENCOURAGING PRIVATE SECTOR AGRO-INDUSTRY: THE GRANTEE WILL PROVIDE A SUMMARY SATISFACTORY TO USAID OF THE INTERIM RESULTS OF THE STUDY OF CONSTRAINTS ON THE BANKING SYSTEM FOR CHANNELING CREDIT TO SMALL SCALE ENTERPRISES, AND WILL CONFIRM ITS INTENTIONS TO REMOVE SUCH CONSTRAINTS.

ACTION TAKEN: A STUDY (IN FRENCH) ON "CONSTRAINTS ON THE SENEGALESE BANKING SYSTEM LIMITING CREDIT TO SMALL SCALE ENTERPRISES" WAS CONTRACTED FROM A SENEGALESE CONSULTANT, CHARBEL ZAROUR. A 150-PAGE REPORT WAS DELIVERED IN NOVEMBER 1987. THE RECOMMENDATIONS MADE IN THE REPORT INCLUDE (A) GREATER FLEXIBILITY ON THE PART OF THE BCEAO IN APPLYING COUNTER-PRODUCTIVE "PREFERENTIAL" INTEREST RATES TO SMALL SCALE ENTERPRISES, (B) A MORE ACTIVE POLICY ON THE PART OF THE BANKS TO MOBILIZE PRIVATE SAVINGS, AND (C) THE CREATION OF MUTUAL CREDIT SOCIETIES BY SMALL SCALE ENTERPRISES.

AN ACTION PLAN FOR IMPROVING THE CREDIT SITUATION OF SMALL SCALE ENTERPRISES WILL BE PART OF THE BANKING SECTOR REFORM NOW UNDER ACTIVE DISCUSSION BETWEEN THE DONORS AND THE GOS.

THIS CONDITION HAS BEEN AMENDED IN AMENDMENT NO. 1 TO THE GRANT AGREEMENT TO TAKE ACCOUNT OF THE INCLUSION OF THE QUESTION OF CONSTRAINTS ON BANK CREDIT TO SMALL ENTERPRISES IN THE WIDER DISCUSSIONS OF BANKING SECTOR REFORM.

3. SPECIAL COVENANT ON DAMPING IMPORTED RICE CONSUMPTION: THE GRANTEE WILL ADHERE TO THE CURRENT TIMETABLE FOR PRIVATIZATION OF RICE IMPORTS, NAMELY THAT THE PRIVATE SECTOR WILL BE RESPONSIBLE FOR TWENTY-FIVE (25) PERCENT OF RICE IMPORTS FOR THE PERIOD OF DECEMBER 1, 1986 THROUGH NOVEMBER 30, 1987, AND FOR THE ENTIRE QUANTITY OF COMMERCIAL IMPORTS FOR THE PERIOD OF DECEMBER 1, 1987 THROUGH NOVEMBER 30, 1988, EXCEPT FOR CPSP IMPORTS FOR MANAGING THE SECURITY STOCK OF 60,000 MT.

ACTION TAKEN: THE GOS ALLOTTED RESPONSIBILITY TO THE PRIVATE SECTOR FOR IMPORTING 85,000 MT OF RICE (THREE MONTHS' SUPPLY) DURING THE PERIOD MARCH - JUNE 1987. A JOINT GOS-DONOR COMMITTEE EVALUATING THE MARCH-JUNE 1987 EXPERIMENT WITH PRIVATE SECTOR IMPORTS OF RICE HAS RECOMMENDED A ONE-YEAR POSTPONEMENT OF FURTHER ATTEMPTS TO PRIVATIZE RICE IMPORTS, DURING WHICH PERIOD THE CPSP WOULD HAVE SOLE RESPONSIBILITY FOR IMPORTING RICE INTO SENEGAL. THEREFORE, THE PRICE PEREQUATION SYSTEM WILL BE CONTINUED AT LEAST UNTIL END-NOVEMBER 1988. THE SPOKESMAN FOR THE DONORS AT THE LAST MEETING OF THE EVALUATION COMMITTEE WAS THE WORLD BANK REPRESENTATIVE.

THIS SPECIAL COVENANT WAS AMENDED IN AMENDMENT NO. 1 TO THE GRANT AGREEMENT TO TAKE ACCOUNT OF THE ONE-YEAR SUSPENSION OF PRIVATIZATION OF RICE IMPORTS.

IN THE MEANWHILE, NO DECISION APPEARS TO HAVE BEEN TAKEN BY THE WORLD BANK AS TO ITS POSITION ON WHAT IT WILL RECOMMEND FOR NEXT YEAR. USAID/SENEGAL HAS, THEREFORE, ISSUED AN AMENDMENT NO. 2 TO THE GRANT AGREEMENT TO DELETE THE SPECIAL COVENANT ON RICE IMPORTS.

Annex 4: Agricultural Policy Conditionality Comparison Chart: USAID Portfolio
and Related Elements of GOS/IMF/IBRD Policy Framework Paper

ESF-VI (685-0290/685-X-007) 1. Continued functioning of GOS- USAID Working Group on Policy Reform.	USAID Senegal portfolio FY 1988-PF 480 Title I (proposed self-help measures)	Agricultural Production Support Project (685-0269)	GOS/IMF/IBRD Policy Framework Paper (PPP) 1/ 1. Agricultural policy reform:
2. Maximizing resources available to the GOS Treasury from agro-industry:	-Continuation of a liberalized market for local cereals.	1. Elimination of subsidies to governmental organizations distributing seeds.	a. Cereals policy:
-Maximizing perequation on wheat imports.	-Continuation of the floor price system for local cereals and improvement in its implementation.	2. Eventual transfer of seed multiplication to the private sector.	-Continue to implement the Cereals Plan.
-Reducing agriculture sector deficits.	-Restructuring the price stabilization system mechanism.	3. Exemption from BCEAO credit quota of the credit facility established under the project.	-Complete study to determine future producer prices of cereals and other agricultural commodities; announce appropriate producer prices for 1988/89 and 1989/90 crop seasons.
3. Increasing the efficiency of resource allocation in the agriculture sector:	-Institutionalizing a national price information system.	4. Agreement that no new credit program will be established by any GOS organization, and that existing GOS credit programs will be amended to reflect the real costs of operating such programs.	-Develop processed products responsive to consumer tastes.
-Clarification of rice policy.	-Management of the price regulatory stock.	5. Agreement to undertake nego- tiations with BCEAO and WAMU to provide broader discretion to Senegal in the setting of lending interest rates.	-Maintain retail price of rice at a level that will continue to provide adequate incentives to domestic producers of cereals.
-Encouragement of private sector agro-industry.	-Reduction and elimination of the fertilizer subsidy and privatization of fertilizer distribution.	6. Establishment and implementation of a monitoring plan.	-Establish a price information system for producers and traders.
	-Creation of a GOS budget provision for Title II transport costs.	7. Continued disengagement of the RDAs from distribution and marketing of agricultural inputs.	-Progressively eliminate fertilizer subsidy.
		8. Agreement to refrain from fixing nation-wide prices for input supplies.	b. Groundnut sector: -Based on study mentioned above, announce appropriate producer prices for the 1988/89 and 1989/90 crop seasons.
		9. Agreement to encourage greater participation of cooperatives in distribution and marketing of agri- cultural inputs, but not as monopolies to exclude the private sector.	-Prepare study to reduce groundnut marketing costs.
			-Conduct audit and prepare action plan to restructure industrial facilities of groundnut processing industry.
			c. Agricultural credit: -Complete study and adopt action plan regarding GSO agricultural credit policy.

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Annex 4: Agricultural Policy Conditionality Comparison Chart: USAID Portfolio
and Related Elements of COS/IMF/IBRD Policy Framework Paper (cont'd)

ESF-VI (685-0290/685-K-607)	USAID Senegal portfolio FY 1988-PL 480 Title 1 (proposed self-help measures)	Agricultural Production Support Project (685-0269)	COS/IMF/IBRD Policy Framework Paper (PPP) 1/ 2. Industrial policy reform:
			a. Protection system: -Follow-up on recommendations of studies on special agreements (including CSS).

1/ Items selected from PPP, pp. 17-19 (Table 2. Senegal: Summary and Time Frame for Macroeconomic and Structural Adjustment Policies, 1987/87 - 1989/90).
See Annex 2 above.

ANNEX 5

INITIAL ENVIRONMENTAL EXAMINATION

Country: Republic of Senegal

Project Title: Senegal Economic Support Fund Structural Adjustment Grant (ESF-VI)

Funding: Life of Project Funding

Period of Project: FY 1988

Activity Description: The purposes of the ESF structural adjustment grant are to (1) provide budgetary support to the Government of Senegal and (2) achieve policy change related to (a) maximizing resources available to the GOS Treasury from agro-industry and (b) increasing the efficiency of resources in the agriculture sector. The program will also include funding for technical assistance and studies in support of the structural adjustment measures of the Government of Senegal.

Environment Action

Recommended: Categorical Exclusion in accordance with Reg. 16. Section 216.2 (c) (1) (i): the action does not have an effect on the natural or physical environment, and Section 216.2(c)(2)(vi); Cash Transfer to a National Government; helping with the Balance of Payments. The technical assistance and studies are excluded from the environmental procedures pursuant to Sections 216.2(c)(2)(i) and 216.2(c)(2)(iii) respectively.

IEE Prepared by: Gilbert Haycock, Chief, Irrigation, Water Management, and Engineering Office

Bureau Environmental Officer's Determination

Approved: _____

Disapproved: _____

Date: _____

AFR/TR/SDP: _____

Clearances

GC/RLA: EDragon EAD

USAID/Senegal
B.P. 49
Dakar

Dakar, le 24 septembre 1987

AID/PRM/87-69

Memorandum of Agreement Pertaining to
Economic Support Fund Cash Transfers

Protocole d'Accord relatif aux
transferts de liquidités du Fonds de
Soutien Economique

The undersigned mutually agree to observe the attached set of procedures governing the establishment of, deposits into, withdrawal from, and accounting controls on Dollar and CFAF Special Accounts for cash transfers effected pursuant to Economic Support Fund (ESF) and Senegal Africa Economic Policy Reform Program (AEPRP) grant agreements.

Les soussignés conviennent mutuellement d'appliquer les procédures ci-jointes régissant l'ouverture, les dépôts, retraits et contrôles comptables des comptes spéciaux en dollars et FCFA en ce qui concerne les transferts de liquidités effectués dans le cadre des accords de subvention du Fonds de Soutien Economique (ESF) et du Programme de Réforme de Politique Economique pour l'Afrique (AEPRP) - Programme pour le Sénégal.

These procedures are additional to requirements stated in the ESF and AEPRP Grant Agreements already in force. All other provisions of those Grant Agreements remain in effect.

Ces procédures viennent compléter les conditions fixées dans les Accords de Subvention du ESF et de l'AEPRP déjà en vigueur. Toutes les autres dispositions desdits accords restent en vigueur.

These procedures may be amended by mutual agreement of the two parties.

Ces procédures pourraient faire l'objet d'amendement par accord mutuel des deux parties.

These provisions will be incorporated into future ESF and AEPRP grant agreements except as the two parties may otherwise agree in writing.

Ces dispositions seront intégrées dans les futurs accords de subvention du ESF et de l'AEPRP sauf autrement convenu par écrit par les deux parties.

These provisions become effective on the date of signature of this memorandum of agreement.

Ces dispositions entrent en vigueur à la date de signature du présent protocole d'accord.

This Agreement is prepared in both English and French. The English version will control in the event of ambiguity or conflict between the two versions.

Le présent Accord est rédigé en anglais et en français. En cas d'ambiguïté ou de désaccord entre les deux versions, le texte anglais fera foi

ESF and AEP RP Cash Transfer Procedures

Transferts ESF et AEP RP: Procédures

IN WITNESS WHEREOF, the Government of Senegal and the United States of America, each acting through its duly authorized representative, have caused this Agreement to be signed in their names and delivered as of the day and year first written above.

EN FOI DE QUOI, le Gouvernement du Sénégal et les Etats-Unis d'Amérique, chacun agissant par l'intermédiaire de son représentant dûment habilité, ont signé le présent Accord en leur nom à la date ci-dessus mentionnée.

FOR THE UNITED STATES OF AMERICA

POUR LA REPUBLIQUE DU SENEGAL

George Carner

Après du Ministère de l'Economie et des Finances

George Carner
Acting Director, USAID/Senegal

Moussa Touré MOUSSA TOURE
Ministre de l'Economie et des Finances

Attachment: Annex

Annexe ci-joint

Transfers for ESF and AEPRP: Procedures

ANNEX

ESF and AEPRP Cash Transfers:
Additional Procedures for

(a) Establishment of, Deposits to, and Release of Funds from the Special Dollar and CFAF Accounts, and

(b) Ex-Post Accounting Controls

A. ESF and Senegal AEPRP Special Dollar and CFAF Accounts

1. Special Dollar Accounts

A special dollar account (or sub-account) will be opened at a bank in New York in the name of the BCEAO for the account of the GOS. The GOS will inform USAID of the name of the bank and the account number.

The U.S. Treasury will deposit the ESF or AEPRP dollar cash transfer to this account by electronic transfer upon instructions from AID/Washington, subject to the following:

(a) the conditions precedent specified in the ESF or AEPRP Grant Agreement have been met;

(b) certification has been received from the GOS that the dollars will not be used for military or paramilitary purposes;

(c) the GOS agrees to provide USAID with accounting records concerning dollar imports of an equivalent amount during the six months following the date of the transfer of funds;

Transferts ESF et AEPRP: Procédures p. 3

ANNEXE

Transferts de Liquidités dans le Cadre du ESF et du AEPRP
Procédures complémentaires relatives

a) à l'ouverture de comptes et aux versements et décaissements de fonds dans les comptes spéciaux en dollars et en CFA, et

b) au contrôle ex-post des opérations comptables.

A. Comptes spéciaux en dollars et en CFA dans le cadre du Fonds de Soutien Economique (ESF) et du Programme de Réforme de Politique Economique pour l'Afrique (AEPRP) - Programme pour le Sénégal

1. Comptes Spéciaux en Dollars

Un compte spécial (ou sous-compte) séparé en dollars sera ouvert à une banque à New York au nom de la BCEAO pour le compte du Gouvernement du Sénégal. Le Gouvernement du Sénégal communiquera à l'USAID le nom de la banque et le numéro de ce compte.

Le Trésor américain procédera au dépôt des liquidités en dollars du ESF ou du AEPRP dans ce compte par transfert électronique sur instruction de l'AID/Washington sous réserve des conditions suivantes:

a) les conditions préalables spécifiées dans l'Accord de Subvention ESF ou AEPRP auront été satisfaites;

b) le Gouvernement du Sénégal aura attesté que ces fonds en dollars ne serviront pas à des fins militaires ni paramilitaires;

c) le Gouvernement du Sénégal accepte de fournir à l'USAID des pièces justificatives concernant les importations en dollars d'un montant équivalent au cours des six derniers mois suivant la date du transfert des fonds;

ESF and AEPRP Cash Transfer : Procedures

(d) confirmation has been received from the GOS that the CFAF will be used for purposes specified in the Grant Agreement;

(e) the GOS has provided USAID with the accounting documents specified in Section A.2 below concerning CFAF payments for the purposes stated in the Grant Agreement;

(f) a Program Implementation Letter has been signed by USAID/Senegal and the GOS Ministry of Finance confirming that all the conditions for release of the CFAF are satisfied and that USAID/Senegal authorizes release of the CFAF.

The BCEAO will notify USAID/Senegal by written communication of receipt of the transfer within three days of its receipt by the bank in New York.

Any interest generated by the Special Dollar Account during the period between receipt of the dollar funds and disbursement of the CFAF counterpart by the BCEAO is the property of the GOS. The interest will be used for the same purposes as the principal.

Pursuant to existing BCEAO rules and procedures ratified by the WAMU members, the BCEAO will pay into the GOS Special CFAF Account opened by the GOS in the books of the BCEAO the CFAF equivalent of the dollars at the CFAF/dollar rate on the day of disbursement of the CFAF counterpart. The dollars will automatically become part of the foreign exchange pool of the West African Monetary Union (WAMU).

Transferts ESF et AEPRP: Procédures

d) le Gouvernement du Sénégal aura attesté que les fonds en FCFA serviront à l'exécution des objectifs fixés par l'accord de subvention;

e) le Gouvernement du Sénégal aura fourni à l'USAID les pièces justificatives des règlements effectués en FCFA pour les objectifs fixés par l'accord, telles que spécifiées dans la Section A.2 ci-dessous;

f) L'USAID et le Ministère de l'Economie et des Finances auront signé une Lettre d'Exécution confirmant que toutes les conditions pour le décaissement des fonds en FCFA sont réalisées et que l'USAID/Sénégal autorise le décaissement de ces fonds en FCFA.

La BCEAO informera par écrit l'USAID de la réception des fonds dans les trois jours suivant la notification de la réception des fonds par la banque à New York.

Les intérêts générés par le compte spécial en dollars durant la période s'écoulant entre la réception des fonds en dollars et le versement de la contre-valeur en FCFA par la BCEAO sont la propriété du Gouvernement du Sénégal. Ces intérêts seront destinés aux mêmes fins que le principal.

Conformément aux dispositions et procédures existantes de la BCEAO ratifiées par les membres de l'UMOA, la BCEAO créditera le compte spécial séparé ouvert par le Gouvernement du Sénégal dans les livres de la BCEAO de l'équivalent en FCFA des déboursments de fonds en dollars sur la base du cours du dollar/CFA du jour du versement de la contrepartie en FCFA. Le montant en dollars fera automatiquement partie du pool de devises de l'Union Monétaire Ouest Africaine (UMOA).

ESF and AEPRP Cash Transfer Procedures2. ESF and Senegal AEPRP Special CFA Accounts

The GOS will establish a separate Special CFAF Account at the BCEAO in Dakar in the name of the GOS for each ESF and AEPRP grant and will inform USAID of their numbers. The BCEAO will deposit to the Special CFAF Account the CFAF equivalent of the dollar cash disbursements mentioned above.

The BCEAO will release CFAF to the GOS from the Special CFAF Account upon request of the GOS, but only if accompanied by a Program Implementation Letter (PIL) from USAID/Senegal authorizing such release.

Releases from the Special CFAF Account will be authorized only for the purposes stated in the Grant Agreement, for example (a) reimbursement of GOS payments of arrears to private sector enterprises, (b) reimbursement of amounts paid by the GOS to retire ONCAD debt, or (c) payments to be made for the above-mentioned purposes.

Where the agreed purpose is reimbursement of GOS payments of arrears to private sector enterprises, such a PIL will be issued by USAID/Senegal against a computer print-out or other accounting record of payments during the previous 12 months by the GOS of arrears to private sector enterprises that have not already been reimbursed out of an

Transferts ESF et AEPRP: Procédures p. 52. Comptes spéciaux en FCFA dans le cadre du Fonds de Soutien Economique (ESF) et du Programme de Réforme de Politique Economique pour l'Afrique (AEPRP) - Programme pour le Sénégal

Le Gouvernement du Sénégal procédera à l'ouverture d'un compte spécial séparé, en FCFA, à la BCEAO à Dakar, pour chacune des subventions du ESF et du AEPRP ; il en communiquera par la suite les numéros à l'USAID/Sénégal. La BCEAO versera dans les comptes spéciaux en FCFA l'équivalent en FCFA des fonds endollars indiqué ci-dessus.

La BCEAO ne procédera à des décaissements de fonds en FCFA du compte spécial en FCFA à la demande du Gouvernement du Sénégal que si cette demande est accompagnée d'une lettre d'exécution de l'USAID autorisant ladite opération.

Les décaissements de fonds en FCFA du compte spécial ne seront autorisés que pour les objectifs prévus par l'accord, par exemple (a) le remboursement des sommes déboursées par le Gouvernement du Sénégal au titre du règlement des arriérés de l'Etat à l'égard du secteur privé, (b) le remboursement des sommes payées par le Gouvernement du Sénégal au titre de la liquidation de la dette de l'ONCAD ou (c) des décaissements à effectuer au titre des objectifs précités.

Si l'objectif convenu est le remboursement des sommes déboursées par le Gouvernement du Sénégal au titre du règlement des arriérés de l'Etat à l'égard du secteur privé, l'USAID se chargera d'établir la lettre d'exécution nécessaire en contrepartie de pièces justificatives (état ordinateur ou tout autre pièce comptable) attestant le règlement par l'Etat au cours des douze mois précédents des arriérés dûs au secteur privé et qui n'ont pas encore

ESF and AEPRP Cash Transfer Procedures

existing (or retired) USAID-funded ESF or AEPRP Special CFAF Account (or sub-account) or other counterpart funds generated by U.S. Government programs (e.g. PL 480 Title I).

Where the agreed purpose is reimbursement of amounts paid by the GOS to retire ONCAD debt, such a PIL will be issued by USAID/Senegal against supporting documentation confirming payments during the previous 12 months by the GOS to the banking system for the stated purpose that have not already been reimbursed out of an existing (or retired) USAID-funded ESF or AEPRP Special CFAF Account (or sub-account).

The GOS will notify USAID/Senegal of all releases of CFAF funds from the Special CFAF Accounts within three days and will provide to USAID/Senegal a monthly statement of transactions.

B. Ex-Post Accounting Controls1. Special Dollar Accounts

As mentioned above, the BCEAO will notify USAID/Senegal of all deposits to and releases from the ESF and AEPRP Special Dollar Accounts and will provide a monthly statement of transactions to USAID/Senegal and the GOS.

2. Special CFAF Accounts

The GOS will notify USAID/Senegal of all deposits and releases of CFAF funds to and from the Special CFAF Accounts within three days and will provide a monthly statement of transactions.

Transferts ESF et AEPRP: Procédures p. 6

été remboursés dans le cadre d'un compte spécial (ou sous-compte) en FCFA du ESF ou du AEPRP financé par l'USAID ou d'autres fonds de contrepartie générés par des programmes du Gouvernement des Etats-Unis (par exemple, le Titre I du programme PL 480)

Si l'objectif convenu est le remboursement de sommes payées par l'Etat au titre de la liquidation de la dette de l'ONCAD, cette lettre d'exécution sera établie par l'USAID/Sénégal en contrepartie d'une pièce justificative attestant que le Gouvernement du Sénégal a effectué les paiements nécessaires aux banques au cours des douze mois précédents et qu'il n'a pas encore été remboursé dans le cadre d'un compte spécial en FCFA du ESF ou du AEPRP financé par l'USAID.

Le Gouvernement du Sénégal informera l'USAID/Sénégal de tous les versements et retraits effectués au niveau des comptes spéciaux en FCFA du ESF ou du AEPRP. Il fera également parvenir à l'USAID/Sénégal un état mensuel des opérations effectuées.

B. Contrôle ex-post des Opérations Comptables1. Comptes Spéciaux en Dollars

Comme indiqué plus haut, la BCEAO informera l'USAID/Sénégal de tous les versements et retraits effectués au niveau des comptes spéciaux en dollars du ESF ou du AEPRP. Elle fera également parvenir à l'USAID/Sénégal et au Gouvernement du Sénégal un état mensuel des opérations effectuées.

2. Comptes Spéciaux en FCFA

Le Gouvernement du Sénégal informera l'USAID/Sénégal de tous les versements et retraits effectués au niveau des comptes spéciaux en FCFA du ESF ou du AEPRP. Il fera également un état mensuel des opérations effectuées par transmission des relevés bancaires.

ESF and AEPRP Cash Transfer Procedures

The GOS will authorize USAID/Senegal to carry out spot checks with enterprises or banks mentioned in the supporting documentation concerning GOS payments of arrears in order to verify that payments have been received by the beneficiaries concerned. The GOS will provide, at the request of USAID, all necessary information concerning the beneficiaries of payments made under the ESF and AEPRP grants.

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Transferts ESF et AEPRP: Procédures

Le Gouvernement du Sénégal autorisera L'USAID/Sénégal à procéder à des vérifications au niveau des sociétés ou banques figurant sur les pièces justificatives attestant le règlement des arriérés par le Gouvernement, en vue de s'assurer que les bénéficiaires intéressés ont effectivement reçu ces paiements. Le Gouvernement fournira à la demande de l'USAID tout renseignement utile concernant les bénéficiaires des règlements effectués au titre des subventions de l'ESF et de l'AEPRP.

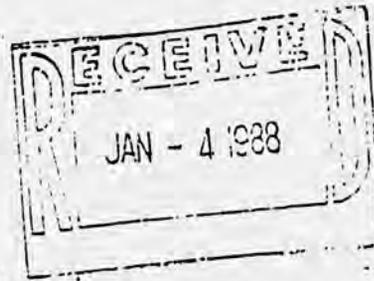
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E.O. 12333: N/A
TAGS:
SUBJECT: ESF CASH TRANSFER ASSISTANCE GUIDANCE FOR SENEGAL

Action To:
Date:
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Doc Date: 1/5/88

REFERENCE: STATE 325792

1. REFTET WHICH PROVIDED WORLDWIDE GUIDANCE FOR CASH TRANSFERS NOTED THAT SPECIAL AGENCY-WIDE INSTRUCTIONS FOR STATES IN MONETARY UNIONS WERE UNDER REVIEW. THIS CABLE PROVIDES INTERIM GUIDANCE FOR SENEGAL -- A MEMBER STATE OF THE WEST AFRICAN MONETARY UNION (WAMU). GUIDANCE HEREIN IS SUBJECT TO CLARIFICATION AND AMENDMENT PENDING DISSEMINATION OF AGENCY-WIDE GUIDANCE FOR STATES IN MONETARY UNIONS. MISSION SHOULD VIEW THIS GUIDANCE AS SUPPLEMENTARY TO REFTEL GUIDANCE, SINCE A NUMBER OF CONSIDERATIONS, E.G. THE ESTABLISHMENT OF INTEREST BEARING ACCOUNTS, REDEPOSIT PROVISIONS, ETC., ARE NOT ADDRESSED HERE.

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2. THE PROBLEM: AGENCY GUIDANCE REQUIRES COUNTRIES RECEIVING ESF CASH TRANSFERS (A) TO ESTABLISH A SEPARATE ACCOUNT INTO WHICH THE CASH TRANSFER DOLLAR ASSISTANCE IS PLACED AND (B) TO TRACK THE USES OF THE U.S. DOLLARS SO PROVIDED. HOWEVER, TRACKING SPECIFIC DOLLAR USES IS

NOT POSSIBLE FOR THOSE STATES IN WAMU, INCLUDING SENEGAL. ONCE THE U.S. DOLLARS HAVE BEEN DEPOSITED BY THE RECIPIENT COUNTRY WITH THE UNION, THE U.S. DOLLARS ENTER A COMMON FOREIGN EXCHANGE RESERVE POOL AND ARE AVAILABLE FOR USE BY ALL THE OTHER STATES THAT ARE MEMBERS OF THE UNION. IN SHORT, IT IS NOT POSSIBLE TO TRACE THE ESF DOLLARS ASSISTANCE TO A PARTICULAR END USE.

A DOLLARS 11.1 MILLION ESF CASH TRANSFER FOR SENEGAL WAS OBLIGATED IN MAY 1987. DOLLARS 6 MILLION WAS DISBURSED IN JUNE 1987, AND THE MISSION IS REQUESTING DISBURSEMENT OF THE DOLLARS 5.1 MILLION SECOND TRANCHE BY DECEMBER 24, 1987.

BECAUSE OF THE URGENT NEED FOR THIS DISBURSEMENT TO PERMIT MAINTENANCE OF SENEGAL'S STABILIZATION PROGRAM, THIS INTERIM GUIDANCE IS BEING ISSUED IN THE ABSENCE OF

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SUPPLEMENTAL GUIDANCE ON MONETARY UNIONS. EXCEPT AS PROVIDED HEREIN, ALL OTHER ASPECTS OF PREVIOUS AGENCY GUIDANCE SHALL APPLY.

3. BACKGROUND: THE ADVANTAGES OF A MONETARY UNION ARE CLEAR. THE UNION PROVIDES FOR ECONOMIES OF SCALE IN A NUMBER OF AREAS, THE MOST IMPORTANT OF WHICH IS FOREIGN EXCHANGE RESERVE HOLDINGS (THE U.S. DOLLAR IS A RESERVE CURRENCY). GENERALLY SPEAKING, A MONETARY AUTHORITY FOR A SINGLE STATE SHOULD HOLD FOREIGN EXCHANGE RESERVES EQUIVALENT TO AT LEAST THREE MONTHS' IMPORTS. A MONETARY UNION CAN HOLD PROPORTIONATELY LESS FOREIGN EXCHANGE RESERVES BECAUSE THE FOREIGN EXCHANGE GENERATED BY ONE COUNTRY CAN BE USED BY ANOTHER.

WHILE UNIONS ARE WILLING TO SET UP SPECIAL ACCOUNTS FOR MEMBER STATES, THEY WILL NOT NORMALLY AGREE TO TRACK THE USES OF THE FOREIGN EXCHANGE. TRACKING ALL FOREIGN EXCHANGE USES WOULD ADD TO ADMINISTRATIVE COSTS, REDUCING THE ADVANTAGES THAT UNIONS ARE DESIGNED TO PRODUCE. MOREOVER, FOR WAMU, REGULATIONS PROHIBIT DOING SO.

THE CHARTER FOR WAMU, A PUBLIC INTERNATIONAL INSTITUTION AMONG THE MEMBER STATES, PROHIBITS THE ORGANIZATION FROM TRACKING FOREIGN EXCHANGE USES. ARTICLE 4 PROVIDES THAT, IN ORDER TO FULFILL ITS FUNCTIONS, WAMU HAS THE IMMUNITIES AND PRIVILEGES ACCORDED TO INTERNATIONAL FINANCIAL INSTITUTIONS OPERATING IN THE MEMBER STATES. ARTICLE 4 ALSO PROVIDES THAT WAMU HAS FULL JURIDICAL PERSONALITY WITH CAPACITY TO ENTER INTO CONTRACTS, HOLD PROPERTY, AND ENGAGE IN LITIGATION. ITS ARCHIVES ARE

INVIOABLE. IT IS NOT SUBJECT TO ATTACHMENT, GARNISHMENT, OR REPROPRIATION. THUS, WAMU IS AN ORGANIZATION COMPLETELY SEPARATE AND APART FROM ANY OF THE GOVERNMENTS FOR WHICH IT SERVES AS THE CENTRAL BANK. NONE OF THE INDIVIDUAL STATES HAS ANY CONTROL OF WAMU. THE MEMBER STATES ACT THROUGH THEIR MEMBERSHIP AND REPRESENTATIVES ON THE COUNCIL OF MINISTERS AND THE BOARD OF DIRECTORS.

IN THE AGREEMENT AMONG FRANCE AND WAMU COUNTRIES WHEREIN FRANCE AGREES TO SUPPORT THE CURRENCY -- THE CFA FRANC -- AND GUARANTEES FULL CONVERTIBILITY, A CLAUSE REQUIRES THE ESTABLISHMENT OF A CENTRALIZED ACCOUNT FOR THE HOLDING OF FOREIGN EXCHANGE FOR THE BENEFIT OF ALL MEMBER STATES. TWO OTHER AGREEMENTS PROVIDE FOR THE ESTABLISHMENT OF AN "OPERATIONS ACCOUNT" IN THE FRENCH TREASURY IN THE NAME OF WAMU. ALL FOREIGN EXCHANGE IS DEPOSITED INTO THE OPERATIONS ACCOUNT WHICH IS OWNED BY WAMU AND NOT BY ANY INDIVIDUAL MEMBER STATE.

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AS AN INDEPENDENT INTERNATIONAL ENTITY, WAMU IS NOT PERMITTED TO UNDERTAKE ANY AGREEMENT WHICH WOULD REQUIRE IT TO ESTABLISH SEPARATE DOLLAR ACCOUNTS FOR TRACKING PURPOSES, AS BEING IN CONTRAVENTION OF THE WAMU AGREEMENT AND RULES OF OPERATION. TO REQUIRE WAMU TO DO SO WOULD IMPIRE ON THE SOVEREIGNTY OF A LEGITIMATE INTERNATIONAL FINANCIAL INSTITUTION. LIKE THE U.S. DOLLAR, THE WAMU CURRENCY -- THE CFA FRANC -- IS A HARD CURRENCY THAT IS FREELY CONVERTIBLE. HOWEVER, WAMU WILL RESPOND TO GOVERNMENT REQUESTS FOR ACCOUNTING RECORDS CONCERNING IMPORTS EQUIVALENT TO THE AMOUNT OF THE A.I.D. DOLLAR CASH TRANSFER.

THEUS, WAMU WILL NOT SET UP SEPARATE DOLLAR ACCOUNTS FOR TRACKING PURPOSES FOR MEMBER STATES, INCLUDING SENEGAL. MOREOVER, THE WAMU RECIPIENT OF CASH TRANSFER ASSISTANCE CANNOT ESTABLISH DOLLAR ACCOUNTS OUTSIDE WAMU. IF THE WAMU STATES WERE ABLE TO ESTABLISH SUCH ACCOUNTS, TRACKING USES OF ESF DOLLAR ASSISTANCE WOULD BE FEASIBLE. THE WAMU CHARTER PROHIBITS SUCH DOLLAR ACCOUNTS BE THEY LOCATED IN A FINANCIAL INTERMEDIARY EITHER IN THE RECIPIENT WAMU STATE OR OVERSEAS IN SAY A COMMERCIAL BANK IN THE U.S. IT, THUS, IS NOT POSSIBLE FOR WAMU STATES AND, THEREFORE, SENEGAL TO TRACK THE SPECIFIC USES OF DOLLARS PROVIDED UNDER CASH TRANSFERS.

4. INTERIM GUIDANCE: SENEGAL

THE FOLLOWING GUIDANCE DESCRIBES THE PROCEDURES NOW IN USE FOR THE ESF PROGRAM IN SENEGAL. THESE PROCEDURES SHOULD CONTINUE TO BE UTILIZED IN SENEGAL, UNTIL REQUISITE CLARIFICATION IS FURNISHED THROUGH DISSEMINATION OF AGENCY-WIDE GUIDANCE FOR MONETARY UNIONS. NOTE THAT WHILE THE PROCEDURES, IN ESSENCE, PERMIT ATTRIBUTION OF FOREIGN CURRENCY, THEY DO NOT ALLOW THE TRACKING OF THE USES OF THE DOLLARS ACTUALLY PROVIDED.

A SPECIAL DOLLAR ACCOUNT WILL BE OPENED AT A BANK IN THE UNITED STATES IN THE NAME OF WAMU FOR THE GOVERNMENT OF SENEGAL (GOS). THE GOS WILL INFORM A.I.D. OF THE NAME OF THE BANK AND THE ACCOUNT NUMBER. THE U.S. TREASURY WILL DEPOSIT THE DOLLAR CASH TRANSFER TO THIS ACCOUNT BY ELECTRONIC TRANSFER TO THE DESIGNATED BANK UPON INSTRUCTIONS FROM A.I.D./WASHINGTON. WAMU SUBSEQUENTLY WILL CREDIT THE GOS WITH THE LOCAL CURRENCY EQUIVALENT OF THE DOLLARS PROVIDED UNDER THE CASH TRANSFER. AT THIS POINT, THE SPECIAL DOLLAR ACCOUNT IS EMPTIED, AND THE ESF DOLLARS BECOME PART OF THE COMMON FOREIGN EXCHANGE POOL.

THE GOS WILL AGREE TO PROVIDE A.I.D. WITH ACCOUNTING RECORDS CONCERNING IMPORTS EQUIVALENT TO THE DOLLAR VALUE OF THE CASH TRANSFER. WHILE WAMU WILL NOT ESTABLISH SEPARATE DOLLAR ACCOUNTS FOR TRACKING PURPOSES, WAMU WILL MAINTAIN ACCOUNTING RECORDS FOR IMPORTS. APPROVED TRANSACTIONS WILL EXCLUDE MILITARY

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AND OTHER IMPORTS PROHIBITED FOR A.I.D. FUNDING. A.I.D. WILL REVIEW THESE TRANSACTIONS TO ASSURE THEIR ELIGIBILITY.

LOCAL CURRENCY

THE GOS, PURSUANT TO WAMU PROCEDURES, WILL ESTABLISH A SEPARATE SPECIAL CFA FRANC ACCOUNT IN ITS NAME AT THE WAMU BRANCH WITHIN ITS BORDERS AND WILL INFORM A.I.D. OF ITS NUMBER. WAMU WILL DEPOSIT TO THE SPECIAL ACCOUNT THE CFA FRANC EQUIVALENT OF THE DOLLAR CASE DISBURSEMENT.

WAMU WILL RELEASE LOCAL CURRENCY TO THE GOS FROM THE SPECIAL LOCAL CURRENCY ACCOUNT UPON REQUEST OF THE GOS BUT ONLY IF ACCOMPANIED BY A PROGRAM IMPLEMENTATION LETTER FROM THE A.I.D. MISSION, OR THE EQUIVALENT AS AGREED UPON BY THE A.I.D. MISSION, AUTHORIZING SUCH RELEASE. RELEASES FROM THE SPECIAL LOCAL CURRENCY ACCOUNT WILL BE AVAILABLE ONLY FOR THE PURPOSES STATED IN THE AGREEMENT AND WILL BE STRICTLY GUIDED BY AGENCY POLICY ELABORATED IN REFTEL.

WAMU WILL NOTIFY A.I.D. /SENEGAL OF ALL RELEASES OF LOCAL CURRENCY FROM THE SPECIAL LOCAL CURRENCY ACCOUNT WITHIN THREE DAYS AND WILL PROVIDE TO A.I.D. /SENEGAL A PERIODIC STATEMENT OF TRANSACTIONS. WHITEHEAD
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ANNEX 8

Conditions Precedent and Local Currency Uses

A. Standard Conditions Precedent to Release of First Tranche of ESF-V

Also attached are PIL No. 685-0289-01 and PIL No. 685-0289-02 and other documentation relevant to release of the first tranche of ESF-V (legal opinion of Supreme Court of Senegal, designation of representatives, and bank account number at Citibank (New York)).

B. Local Currency Uses, ESF-IV, ESF-V and ESF-VI

The local currency (CFAF) counterpart of the three tranches of ESF-IV was used for payments of arrears to private sector enterprises in Senegal.

The local currency (CFAF) counterpart of the two tranches of ESF-V was used for the same purpose, as indicated in the attached ESF-V project implementation letters, PIL No. 685-0289-03 and PIL No. 685-0289-04, and the relevant letters from the GOS Ministry of Finance Treasurer General. A list of recipient firms was attached to each letter from the Treasurer General.

We intend to allocate the CFAF counterpart of the \$5,000,000 first tranche and the \$4,700,000 second tranche of the ESF-VI cash transfer to the same purpose (payment of arrears to private sector enterprises in Senegal).

In 1987, the USAID/Senegal Controller's Office initiated a follow-up system of sending letters to the firms on the lists to ascertain whether payments were received, but response has been low. We are therefore revising the system. In future, the USAID/Senegal Controller's Office will (a) insist on receiving better address or bank account identification from the GOS, (b) choose a small sample for verification, and (c) follow up aggressively on the small sample.

Embassy of the United States of America

USAID/Sénégal
B.P. 49
Dakar

Dakar, le 9 mai 1987

Monsieur Moussa Touré
Secrétaire d'Etat auprès du
Ministre de l'Economie et des Finances
Centre Peytavin
Dakar

Subject: A.I.D. Economic Support Fund
(ESF) V Program Grant (685-0289)
Implementation Letter No 685-0289-01

Objet: Lettre d'Exécution No. 685-0289-01
Programme de Subvention du Fonds de
Soutien
Economique (ESF-V)

Ref: ESF-V Program Grant Agreement Dated
May 06, 1987.

Réf. : Accord de Subvention du ESF-V en
date du 6 mai 1987

Dear Sir,

Monsieur le Ministre,

Pursuant to section 7.1 of the referenced Agreement, this Program Implementation Letter (PIL) is to formalize, in writing, (1) acceptance by the GOS of the agreed upon special dollar account transaction mechanism for managing the eleven million seventy five thousand United States dollar (\$11,075,000) cash transfer; (2) confirmation that the BCEAO agrees to inform USAID of the uses for which the dollars are released from the special dollar account; and (3) your agreement pursuant to section 5.2 para B of the Agreement that the funds under the program grant will not be used for military or paramilitary purposes.

Conformément à la Section 7.1 de l'Accord cité en référence, l'objet de la présente Lettre d'Exécution est d'officialiser par écrit : (1) l'acceptation par le Gouvernement du Sénégal de l'instrument de transaction constitué par le compte spécial en dollars, approuvé par les parties, et qui permettra de gérer le transfert de liquidités d'un montant de onze millions soixante quinze mille dollars (11.075.000) des Etats-Unis; (2) la confirmation que la BCEAO accepte d'informer l'USAID des emplois auxquels seront destinés les fonds libérés à partir du compte spécial en dollars; et (3) en application de la Section 5.2 paragraphe B de l'Accord, l'engagement que les fonds fournis au titre de la Subvention ne serviront pas à des fins militaires ou paramilitaires.

PIL No. 685-0230-01 (ESF-V)

The accounting procedure for the U.S. dollar cash transfer under ESF-V will be as follows:

(1) Special Dollar Account: The dollars will be paid through the Federal Reserve electronic funds transfer system, to a separate BCEAO dollar account to be established in New York at the Federal Reserve Bank of New York or at the Chase Manhattan Bank. The BCEAO will immediately create the equivalent in CFAF in a special CFAF account at the BCEAO in Dakar, and will inform USAID/Senegal of the transaction.

(2) Uses of Special Local Dollar Account: (a) The BCEAO subsequently will inform USAID/Senegal of the uses for which dollars are released from the special dollar account (for example, against letters of credit for purchase of petroleum by the S.A.R.); and (b) the dollars will not be used for military or paramilitary purposes.

Except as permitted by the Agreement, nothing in this PIL modifies the Agreement. This PIL may be supplemented or modified as necessary by subsequent PILs.

This and all subsequent PILs will be prepared in both English and French; the English version will control in the event of ambiguity or conflict between the two versions.

The USAID Economic Support Fund Program Officer or myself will be pleased to discuss any matter pertaining to this PIL with you or your representatives. If you agree to the above provisions and proposals then please return to me a signed copy of this letter acknowledging

Lettre d'Exécution 685-0230-01

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La méthode comptable à utiliser pour le transfert de liquidités des fonds en dollars dans le cadre du ESF-V se présente comme suit :

(1) Compte Spécial en dollars : Les sommes en dollars seront versées par le biais du système électronique de transfert de fonds de la Federal Reserve dans un compte en dollars séparé de la BCEAO qui sera ouvert à New York à la Federal Reserve Bank de New York ou à la Chase Manhattan Bank. La BCEAO versera immédiatement le montant équivalent en CFAF dans un compte spécial en FCFA à la BCEAO à Dakar et informera l'USAID/Sénégal de cette transaction.

(2) Emplois des fonds du compte spécial en dollars : (a) La BCEAO informera par la suite l'USAID/Sénégal des emplois auxquels ont été destinés les fonds débloqués du compte spécial en dollars (par exemple, pour compenser des lettres de crédit destinées à l'achat de pétrole par la S.A.R.); (b) les fonds en dollar ne sauraient être utilisés à des fins militaires ou paramilitaires.

Sous réserve des modifications prévues dans l'Accord, la présente Lettre d'Exécution ne modifie en rien l'Accord. La présente Lettre d'Exécution pourra être complétée ou modifiée, au besoin, par d'autres Lettres d'Exécution.

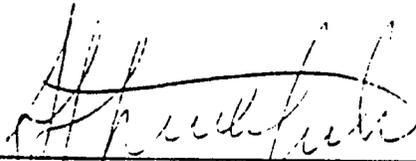
La présente Lettre d'Exécution ainsi que celles qui suivront seront rédigées en anglais et en français; en cas d'ambiguïté ou de désaccord entre les deux versions, le texte anglais fera foi.

Mon collaborateur responsable du Programme du Fonds de Soutien Economique et moi-même restons à votre entière disposition pour discuter avec vos représentants ou vous-même de toutes questions relatives à la présente Lettre d'Exécution. Si vous approuvez les dispositions et propositions ci-dessus,

PIL No. 685-0289-01 (ESF-V)

receipt and indicating your acceptance of this written statement of our agreement. A copy of the letter is enclosed for your files.

Sincerely,



S.J. Littlefield
Director, USAID/Senegal

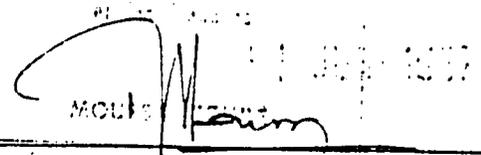
cc: Mr. Djibril Sakho, Directeur BCEAO
Mr. Mamadou Lamine Loum,
Trésorier Général.

Lettre d'Exécution 685-0289-01

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nous vous prions de nous retourner une copie signée de cette lettre en accusant ainsi réception et marquant votre accord sur son contenu. Veuillez trouverer ci-joint une copie de la présente pour vos archives.

Veillez croire, Monsieur le Ministre, à l'assurance de ma haute considération.



Moussa Touré
Secrétaire d'Etat auprès du
Ministre de l'Economie et des Finances

cc: Mr. Djibril Sakho, Directeur
national, BCEAO/Dakar
Mr. Mamadou Lamine Loum,
Trésorier général



USAID/Senegal
B.P. 49
Dakar

Embassy of the United States of America

Dakar, le 25 Juin 1987

Monsieur Mamoudou Touré
Ministre de l'Economie et des Finances
Centre Peytavin
Dakar

Ref. AID/PRM/87-54

Subject: A.I.D. Economic Support Fund
(ESF V) Program (685-0289).
Implementation Letter No. 0289-02.

Ref: ESF V Program Grant Agreement
dated 6 May 1987.

Dear Mr. Minister:

Pursuant to Section 7.1. of the referenced Agreement, this Program Implementation Letter (PIL) is to formalize in writing USAID acceptance of evidence that the Conditions Precedent to disbursement of the first tranche (\$6 million) have been satisfactorily met.

A. Conditions Precedent to Disbursement:

The Financing Request authorizing the transfer on 25 June 1987 of the first six million dollars (\$6,000,000) to be provided under this Grant to the Senegalese Treasury has been approved. The documentation identified below has been submitted to USAID as evidence to the effect that the Conditions Precedent prescribed in the Agreement (Articles 2.1, 2.2, 2.3) have been satisfactorily met by the Government of Senegal.

1. Legal Opinion: A letter from the Supreme Court of Senegal (Avis Juridique), dated 1 June 1987, provides evidence of satisfactory completion of Condition Precedent 2.2.A. which

Objet : Programme de Subvention du Fonds de soutien Economique de l'USAID (ESF V)
Lettre d'Exécution n° 0289-02

Ref: Accord de Subvention ESF V en date du 6 mai 1987.

Monsieur le Ministre,

Conformément à la Section 7.1 de l'Accord cité en référence, l'USAID reconnaît officiellement, par la présente Lettre d'Exécution, que les conditions préalables au déboursement de la première tranche de 6 millions de dollars ont été effectivement remplies.

A. Conditions préalables au déboursement :

La demande de financement autorisant le transfert, le 25 juin 1987, de la première tranche d'un montant de six (6) millions de dollars à verser au titre de la présente subvention au Trésor public sénégalais, a été approuvée. Les documents énumérés ci-après ont été soumis à l'USAID afin de montrer que les conditions préalables stipulées dans l'Accord (Articles 2.1, 2.2, 2.3) ont été effectivement remplies par le Gouvernement du Sénégal.

1. Avis juridique: Une lettre de la Cour Suprême (Avis juridique) en date du 1er juin 1987 indique la réalisation effective de la Condition Préalable n° 2.2.A., qui nécessite un avis juridique

PIL No. 0289-02

requires a legal opinion that the grant is a legal and binding agreement for the Republic of Senegal. (Attachment I).

2. Representatives: Ministry of Economy and Finance Letter No. 04201, dated 22 June 1987, provides evidence of satisfactory completion of Condition Precedent 2.2.B. requiring specimen signature and authority to represent the Government of Senegal. (Attachment II).

3. Bank Account and Number: Financing request-No. 1, dated 11 June 1987, provides evidence of satisfactory completion of Condition precedent 2.2.C. which requires formal designation of the Bank and Account number for these ESF-V funds. (Attachment III).

B. Conditions Precedent to Release of the First Tranche:

1. Improving Economic Policy Reform Management: Ministry of Economy and Finance letter No. 04088, dated 17 June 1987, provides evidence in paragraph 1 of satisfactory completion of Condition Precedent 2.3.A. requiring confirmation that a procedure is in place for holding quarterly meetings between USAID and the concerned ministries of the Government of Senegal. The first such meeting took place on 19 March 1987, and such meetings are continuing. (Attachment IV.)

2. Damping Imported Rice Consumption: Ministry letter 04088 (Attachment IV) provides evidence in paragraph 2 of satisfactory completion of Condition Precedent 2.3.B. requiring that grantee will provide the terms of reference for a study of measures to reduce rice imports. The terms of reference have been provided, and are available in USAID/PRM under cover of a memorandum to the file dated 30 March 1987.

Lettre d'Exécution No. 0289-02

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stipulant que la subvention constitue un accord entraînant des obligations juridiques pour le Gouvernement du Sénégal (Annexe I).

2. Représentants : La lettre n° 04201 du Ministère de l'Economie et des Finances en date du 22 Juin 1987 indique que la Condition Préalable 2.2.B., requérant les spécimens de signature des représentants autorisés du Gouvernement du Sénégal, a bien été remplie. (Annexe II).

3. Numéro de compte et compte bancaire : La demande de financement No. 1 du 11 juin 1987 indique la réalisation effective de la Condition Préalable 2.2.C., requérant le numéro de compte bancaire où seront versés ces fonds du ESF V. (Annexe III).

B. Conditions préalables au décaissement de la première tranche.

1. Amélioration des réformes de la politique économique : Le paragraphe 1 de la lettre n° 04088 du Ministère de l'Economie et des Finances du 17 juin 1987 montre la réalisation effective de la Condition Préalable 2.3.A. exigeant la confirmation de la mise en place d'une procédure de rencontres trimestrielles entre l'USAID et les ministères concernés du Gouvernement du Sénégal. La première de ces réunions s'est tenue le 19 mars 1987 et les autres se poursuivent comme prévu. (Annexe IV).

2. Diminution de la consommation de riz importé : La lettre n° 04088 (Annexe IV) montre dans son paragraphe 2 la réalisation effective de la Condition Préalable 2.3.B. selon laquelle le Bénéficiaire devait soumettre les termes de référence d'une étude sur les mesures destinées à réduire les importations de riz. Ces termes de référence ont été fournis et sont disponibles sous couvert d'un memorandum en date du 30 mars 1987 conservé dans les dossiers du Bureau du Programme de l'USAID.

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3. Reducing Agricultural Sector Deficits:

3. Réduction des déficits du secteur agricole

a. Ministry letter 04088 (Attachment IV) provides evidence in paragraph 3, and in an attached annex, of satisfactory completion of Condition Precedent 2.3.C.(1) requiring that the Grantee will confirm that SONACOS is actively attempting to collect from farmers the peanut seed credit issued during crop year 1986/87, and that the Grantee will provide a report on payments to date. The report annexed to Ministry of Finance letter 04088 states that as of 15 March 1987, the 2.961 billion FCFA owed to the state has been completely recovered by the recuperation of seed debt.

a. La lettre n° 04088 (Annexe IV) apporte la preuve en son paragraphe 3, et dans le document joint en annexe, de la réalisation effective de la Condition Préalable 2.3.C.(1), selon laquelle le Bénéficiaire devait confirmer que la SONACOS s'attèlerait activement à faire rembourser par les cultivateurs le crédit semences d'arachides de la campagne agricole 1986/87 et que le Bénéficiaire présenterait un rapport faisant le point sur les remboursements effectués à ce jour. Le rapport joint à la lettre n° 04088 du Ministère des Finances indique qu'à compter du 15 mars 1983 les 2,961 milliards de francs CFA dus à l'Etat ont été entièrement recouverts dans le cadre de la récupération du crédit semences.

b. Ministry letter 04088 (Attachment IV) provides evidence in paragraph 2 of satisfactory completion of Condition Precedent 2.3.C.(2) requiring that Grantee will agree to undertake a study on producer price relationships between cereals and peanuts, and will examine price differentials between Senegal and the Gambia. Paragraph 2, including sub-paragraphs 2.ii. and 2.iii., indicates that terms of reference for the proposed studies have already been prepared, and that the Government of Senegal has proposed the teams which are to carry out the studies. The terms of reference provided are available in USAID/PRM under cover of a memorandum to the file dated 30 March 1987.

b. La lettre n° 04088 (Annexe IV) apporte la preuve en son paragraphe 2 de la réalisation effective de la Condition Préalable 2.3.C.(2) selon laquelle le Bénéficiaire devait entreprendre une étude sur les rapports entre les prix au producteur des céréales et de l'arachide et examiner les écarts de prix entre le Sénégal et la Gambie. Le paragraphe 2, notamment les sous-paragraphes 2.ii et 2.iii, indique que les termes de référence des études proposées ont déjà été élaborés et que le Gouvernement du Sénégal a proposé les équipes pour entreprendre ces études. Les termes de référence présentés sont disponibles sous couvert d'un memorandum en date du 30 mars 1987 conservé dans les dossiers du Bureau du Programme de l'USAID.

c. Ministry letter 04088 (Attachment IV) provides evidence in paragraph 5 of satisfactory completion of Condition Precedent 2.3.C.(3) requiring that Grantee will confirm that an audit of SONACOS has been initiated. The letter confirms that the terms of reference of

c. La lettre n° 04088 (Annexe IV) apporte la preuve en son paragraphe 5 de la réalisation effective de la Condition Préalable 2.3.C.(3) selon laquelle le Bénéficiaire devait confirmer qu'un audit de la SONACOS a été commencé. La lettre confirme que les termes de

PIL No. 0289-02

the audit have been the object of exchanges between the Senegalese services and those of the World Bank.

d. Ministry letter 04088 (Attachment IV) provides evidence in paragraph 4 of satisfactory completion of Condition Precedent 2.3.C.(4) requiring that Grantee will agree to undertake an audit of the CSS (Compagnie Sucrière Sénégalaise). The letter states that Government has just received the executive summary of the technical audit carried out by the firm of Louis Berger, and that an additional audit will also be carried out in the future.

Encouraging Private Sector Agro-Industry:

Ministry letter 04088 (Attachment IV) provides evidence in paragraph 2 of satisfactory completion of Condition Precedent 2.3.D. requiring the Grantee to provide the terms of reference of a study on the constraints limiting the effectiveness of the banking system to support small and medium scale enterprises. Paragraph 2 of the letter, including sub-paragraph 2.i., indicates that terms of reference for the proposed study have been prepared. The terms of reference provided are available in USAID/PRM under the cover of a memorandum to the file dated 30 March 1986.

Except as permitted by the Agreement, nothing in this PIL modifies the Agreement. This PIL may be supplemented or modified as necessary by subsequent PILs.

This and all subsequent PILs will be prepared in both English and French; the English version will control in the event of ambiguity or conflict between the two versions.

Lettre d'Exécution No. 0289-02 p. 4

référence de l'audit ont fait l'objet de correspondances entre les services du Gouvernement du Sénégal et ceux de la Banque Mondiale.

d) La lettre n° 04088 (Annexe IV) apporte la preuve en son paragraphe 4 de la réalisation effective de la Condition Préalable 2.3.C.(4) selon laquelle le Bénéficiaire devait s'engager à entreprendre un audit de la Compagnie Sucrière Sénégalaise (CSS). La lettre stipule que le Gouvernement vient de recevoir le compte-rendu analytique de l'évaluation technique réalisée par le Bureau d'Etudes Louis Berger et qu'une autre évaluation sera également menée ultérieurement.

Encouragement de l'agro-industrie privée:

La lettre n° 04088 (Annexe IV) apporte la preuve en son paragraphe 2 de la réalisation effective de la Condition Préalable 2.3.D. selon laquelle le Bénéficiaire devait soumettre les termes de référence d'une étude sur les contraintes limitant l'efficacité du secteur bancaire à soutenir les PME. Le paragraphe 2 de cette lettre, notamment le sous-paragraphe 2.i, indique que les termes de référence de l'étude proposée ont été élaborés. Les termes de référence soumis sont disponibles dans le mémorandum en date du 30 mars 1987 conservé dans les dossiers du Bureau du Programme de l'USAID.

Sous réserve des modifications prévues dans l'Accord, la présente Lettre d'Exécution ne modifie en rien l'Accord. Elle pourra être complétée ou modifiée au besoin par d'autres Lettres d'Exécution.

La présente Lettre d'Exécution, ainsi que celles qui suivront, seront rédigées en anglais et en français; en cas d'ambiguïté ou de désaccord entre les deux versions, le texte anglais fera foi.

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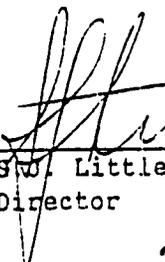
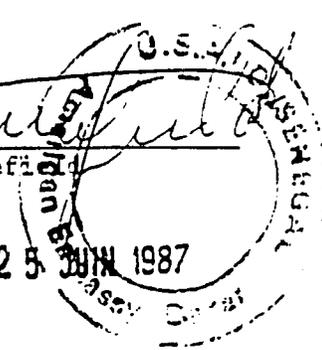
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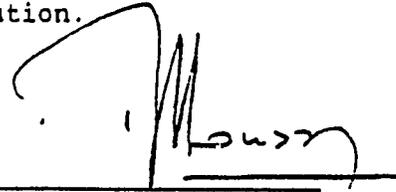
The USAID Economic Support Fund Program Officer or myself will be pleased to discuss any matters pertaining to this PIL with you or your representatives. Please return to me a signed copy of this letter acknowledging receipt and concurrence. A copy of this letter is enclosed for your files.

Mon collaborateur, le Responsable du Programme du Fonds de Soutien Economique, ou moi-même, restons à votre entière disposition pour discuter avec vous ou vos représentants de toutes questions liées à la présente Lettre d'Exécution. Nous vous saurions gré de bien vouloir nous retourner une copie signée de la présente Lettre d'Exécution en accusant ainsi réception et marquant votre accord sur son contenu. Veuillez trouver ci-joint une copie pour vos dossiers.

Sincerely,

Veillez croire, Monsieur le Ministre, à l'assurance de ma très haute considération.


S.W. Littlefield
Director



Moussa Touré,
Secrétaire d'Etat auprès du Ministre de l'Economie et des Finances

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PIL 0289-02

Attachment I

REPUBLIQUE DU SENEGAL
UN PEUPLE - UN BUT - UNE FOI

Dakar le 10r juin 1987

COUR SUPREMEAVIS JURIDIQUE

OBJET : Accord de subvention de programme
ENTRE La République du Sénégal
ET Les Etats-Unis d'Amérique
pour un soutien budgétaire dans le cadre du
programme de Subvention du Fonds de soutien écono-
mique Phase V programme d'ajustement structurel
(E S F - V) (année fiscale 1978).

LE PREMIER PRESIDENT DE LA COUR SUPREME, Soussigné,

Saisi par le Ministre de l'Economie et des Finances de la République du Sénégal par lettre N° 03535/MEF/DGF/DDI en date du 25 mai 1987, à l'effet de lui délivrer l'avis juridique requis concernant l'accord de subvention de programme ci-dessus mentionné en l'objet.

Vu la Constitution de la République du Sénégal ;

Vu la Loi N° 36-19 du 16 juin 1986 portant Loi de finances pour l'année financière 1986-1987 ;

Vu le décret N° 65-191 du 24 mars 1965 fixant les compétences en matière de dépenses d'équipement, modifié par le décret N° 77- 735 du 19 septembre 1977 ;

Vu l'Accord de subvention de programme signé le 06 mai 1987 entre la République du Sénégal et les Etats-Unis d'Amérique d'un montant de 11 075 000 Dollars (onze millions soixante quinze mille dollars) ;

Considérant que le présent programme du Fonds de Soutien Economique (E.S.F.) a pour objet d'aider le Sénégal à procéder à la poursuite, dans la stabilité politique et économique, des réformes structurelles nécessaires à la solution des problèmes fondamentaux de son économie ; qu'elle fournira à la République du Sénégal une aide budgétaire en vue de l'exécution d'une série de réformes de politiques au niveau du secteur agricole qui réduiront sensiblement l'intervention du Bénéficiaire dans ce secteur ; que les réformes de politiques nécessaires sont stipulées à l'article 2 des Conditions Préalables au Déboursement et à l'Article 4 des Conventions ;

Considérant que cet objet n'est contraire ni à la Constitution, ni aux Lois et Règlement en vigueur dans la République du Sénégal, ni à son ordre Public ;

...

104 x

-2-

Considérant que l'Accord de Subvention de Programme ci-dessus a été signé au nom du Gouvernement du Sénégal par Monsieur Mamoudou TOURE, agissant es-qualité de Ministre de l'Economie et des Finances en vertu du décret portant nomination des Ministres et Secrétaires d'Etat et du décret N° 65 - 191 du 24 mars 1965 l'habilitant à signer avec les sources de financement extérieures bilatérales ou multilatérales, toutes subventions de pré-financement d'aides en nature, en personnel et formation, pour le compte de l'Etat ou d'une collectivité publique ;

Considérant, en conséquence, que cette signature engage naturellement le Gouvernement de la République du Sénégal ;

EMET L'AVIS SUIVANT :

a) la présente subvention de programme constitue un document officiel ayant force exécutoire pour le bénéficiaire

b) la signature apposée sur le présent Accord a été apposée par une personne dûment autorisée aux termes de toute disposition législative, réglementaire et administrative en vigueur au Sénégal ;

EN FOI DE QUOI

Le présent avis juridique a été délivré, sur sa demande, à Monsieur le Ministre de l'Economie et des Finances du Sénégal, pour lui servir et valoir ce que de droit

Fait à Dakar, le 1er juin 1987

LE PREMIER PRESIDENT DE LA COUR SUPREME



M. N. DIARRA.

REPUBLICQUE DU SENEGAL

Un Peuple - Un But - Une Foi

44201

MEF, DGF, DDI

MINISTERE
DE L'ECONOMIE ET DES FINANCES

Dakar, le 19.....

DIRECTION
GENERALE DES FINANCES

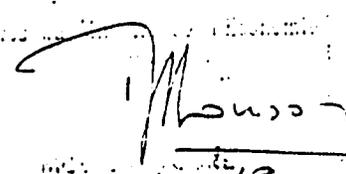
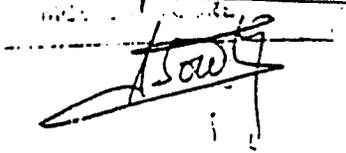
DIRECTION DE LA DETTE ET DES
INVESTISSEMENTS

DESIGNATION DE REPRESENTANTS

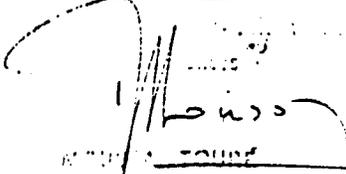
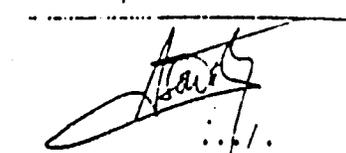
O B J E T /: Programme de Soutien Economique phase V
N° 685 - K - 606 (Sénégal 685-0289).

Le Gouvernement du Sénégal garanti et certifie par la présente à l'Agence des Etats Unis pour le Développement International qu'un pouvoir légitime a été conféré aux personnes ci-après pour agir en son nom dans les fonctions énoncées en rapport avec l'application et le fonctionnement de l'accord de subvention N° 685-K- 606 signé le 6 Mai 1987, entre le Gouvernement de la République du Sénégal et l'A.I.D.

1)- POUR FAIRE DES RECOMMANDATIONS EN SIGNANT DES CERTIFICATS ET AUTREMENT

<u>NOMS</u>	<u>TITRES</u>	<u>SIGNATURES</u>
MM. MOUSSA TOURE	SECRETAIRE D'ETAT AUPRES DU MINISTRE DE L'ECONOMIE ET DES FINANCES	
ABDOURAHMANE SOW	DIRECTEUR DE LA DETTE ET DES INVESTISSEMENTS	

2)- POUR FAIRE DES DEMANDES DE DEBOURSEMENT

<u>NOMS</u>	<u>TITRES</u>	<u>SIGNATURES</u>
MM MOUSSA TOURE	SECRETAIRE D'ETAT AUPRES DU MINISTRE DE L'ECONOMIE ET DES FINANCES	
ABDOURAHMANE SOW	DIRECTEUR DE LA DETTE ET DES INVESTISSEMENTS	

PIL 0289-02

Attachment II

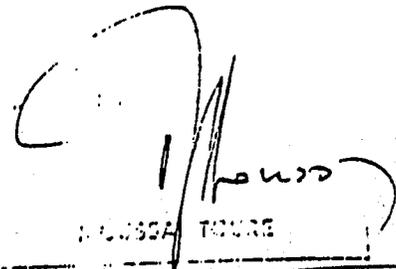
.2/.

Il est également garanti et certifié que les signatures ci-dessus sont les signatures authentiques des personnes sus-mencionnées./-

LE GOUVERNEMENT DE LA REPUBLIQUE DU SENEGAL

Par : MOUSSA TOURE

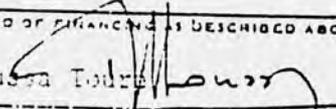
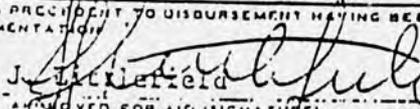
SECRETARE D'ETAT AUPRES DU MINISTRE
DE L'ECONOMIE ET DES FINANCES.



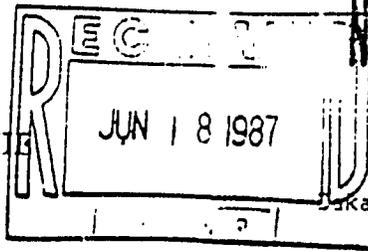
MOUSSA TOURE

PIL 0289-02

Attachment III

AID 1180-2 (11-88) FR	FINANCING REQUEST	2. AMOUNT - U.S. DOLLARS Previous Amount _____	4. REQUEST NO. 001
TO DEPARTMENT OF STATE AGENCY FOR INTERNATIONAL DEVELOPMENT WASHINGTON, D. C. 20523		Increase <u>6,000,000</u> Decrease _____	5. <input type="checkbox"/> ORIGINAL OR AMENDMENT NO. _____
FROM Republic of Senegal Ministry of Economy and Finance Dakar		Total <u>6,000,000</u>	6. AGREEMENT NO. See below
8. METHOD OF FINANCING		3. AREA OF SOURCE AND CODE N/A	7. CPI NO. 685-K-606 (685-0289)
<input checked="" type="checkbox"/> LETTER OF COMMITMENT (L/COMI) U.S. BANKING INSTITUTION APPROVED APPLICANT <input type="checkbox"/> PROCUREMENT AUTHORIZATION/PURCHASE REQUISITION (PA/PRI) NAME OF U.S. GOVERNMENT AGENCY: _____ <input checked="" type="checkbox"/> OTHER METHOD OF FINANCING: (SPECIFY) Cash Transfer to BCEAO Account No FSE-Senegal 36058204 CITEBANK, New York, N.Y.			
9. ITEMS TO BE FINANCED AND AID COMMODITY CODES N/A			
10. CONTRACTING, SHIPPING, OR OTHER PERTINENT DATES			
11. SPECIAL RESTRICTIONS WITHIN TERMS OF ABOVE-REFERENCED CPI			
12. THE METHOD OF FINANCING AS DESCRIBED ABOVE IS HEREBY REQUESTED Moussa Touré  AUTHORIZED SIGNATURE DATE			
13. CONDITIONS PRECEDENT TO DISBURSEMENT HAVING BEEN MET, THIS FINANCING REQUEST IS HEREBY APPROVED FOR IMPLEMENTATION S. J. Littlefield  APPROVED FOR AID (SIGNATURE) Director, USAID/Senegal 25 JUN 1987 (TITLE) DATE			

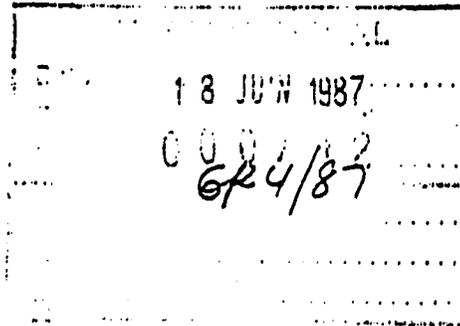
REPUBLIQUE DU SENEGAL
 UN PEUPLE . UN BUT - UNE FOI
 MINISTRE DE L'ECONOMIE
 ET DES FINANCES



N° 04088 PRM file
 MEF/D.PREV.

Dakar, le 17 JUIL 1987

Le Ministre



13



Madame le Directeur,

Me référant à l'accord de subvention du Fonds de soutien économique (ESF V) signé le 6 Mai 1987, je vous informe de la réalisation des conditions préalables au décaissement de la première tranche.

1. Le groupe de concertation entre les représentants du Sénégal et vos représentants a été constitué et s'est réuni une première fois le 19 mars 1987. Il a continué ses réunions depuis lors.
2. Vos services (PRM) et les miens ont élaboré ensemble les termes de références de quatre études portant sur :

i) les mesures pour réduire les importations de riz et la définition d'un mécanisme fiscal pour remplacer le système de péréquation des prix pour le riz ;

A Madame Sarah Jane LITTLEFIELD

Directeur US-AID

D A K A R

.../...

PIL 0289-02

Attachment IV

Best Available Document

.../2-

ii) les implications de la détermination des prix relatifs à la production arachides : céréales et les fluctuations des prix mondiaux de l'arachide ;

iii) l'harmonisation des prix au Sénégal et en Gambie

iv) les contraintes limitant le financement des PME par le système bancaire sénégalais.

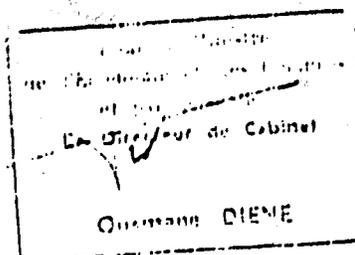
En collaboration avec vos services, mes services vous ont proposé les équipes qui pourraient mener ces études.

3. Les producteurs sénégalais ont remboursé l'intégralité des semences d'arachides qui avaient été prêtées comme il est précisé dans le rapport au Conseil interministériel sur la campagne agricole tenue le 30 Avril 1987 - en page 17 ci-annexée .

4. Nous venons de recevoir le rapport de synthèse de l'audit technique effectué par le Cabinet Louis Berger, à la demande de la CPSP, sur la Compagnie Sucrière Sénégalaise. Les conditions de fonctionnement de cette société continueront d'être l'objet de la plus grande attention et un autre audit y sera mené.

5. Les termes de référence de l'audit de la SONACOS font l'objet d'échanges entre les services sénégalais et ceux de la Banque Mondiale.

Veuillez agréer, Madame le Directeur, l'assurance de ma considération distinguée .-



PIL 0289-02

Attachment IV

REPUBLIQUE DU SENEGAL
UN PEUPLE - UN BUT - UNE FOI

MINISTERE
DU DEVELOPPEMENT RURAL

COMMUNICATION EN CONSEIL INTERMINISTERIEL SUR:

- Le Bilan de la Campagne de Production Agricole 1986 - 1987
- Le Déroulement de la Campagne de Commercialisation 1986 - 1987
- La Préparation de la Campagne Agricole 1987 - 1988

RESUME

SEANCE DU 30 AVRIL 1987

Présentée par Monsieur
FAMARA IBRAHIMA SAGNA
Ministre du Développement Rural

PIL 0289-02

Attachment IV

17.

CHAPITRE IV - DENOUEMENT DES CONSORTIAUX AGRICOLES

1. LES DETTES SEMENCES ARACHIDES

A la date du 15 mars 1987, l'encours de l'Etat qui est de 2,961 milliards de F CFA a été entièrement soldé par la récupération des dettes semences. Le compte UNCA/SCHACOS a été également apuré à 100 % pour 348 millions de F CFA grâce à la récupération des dettes.

Le ONCAS affiche un taux de récupération de plus de 95 % sur les encours.

Il est agréable de noter que, depuis les vingt dernières années, il n'a jamais été observé un remboursement à 100 % des dettes semences octroyées par l'Etat. Ceci constitue une première dans l'histoire du mouvement coopératif sénégalais. La responsabilisation des paysans, préconisée par la NPA, devient une réalité que traduit le résultat des remboursements des dettes, obtenu par l'UNCA.

2. LES DETTES ARACHIDE DE BOUCHE

Les remboursements s'effectuent au fur et à mesure de la collecte et ils prendront fin en même temps que celle-ci. Le taux de remboursement a atteint 100 % de l'encours qui était de 721,18 millions de F CFA.

3. LES DETTES DES SRDR ET LE REMBOURSEMENT

3.01 LA SAED :

Le taux de récupération à la date du 28 mars 1987, était de 28,3 % sur 1,174 milliard de F CFA en exigible.



USAID/Senegal
B.P. 49
Dakar

Embassy of the United States of America

Dakar, le 29 septembre 1987

Monsieur Moussa Touré
Secrétaire d'Etat auprès du Ministre de
l'Economie & des Finances
Centre Peytavin
DAKAR

Our Ref: AID/PRM/87-80

N/Réf: AID/PRM/87-80

Subject: Economic Support Fund (ESF-V)
(685-0289) Implementation Letter 0289-03
Release of the First Tranche

Objet: Fonds de Soutien Economique
Phase V (ESF-V) (685-0289) Lettre
d'Exécution 0289-03 - Déblocage des
fonds en FCFA de la première tranche

Ref: Letter No. 0535/DS from Treasurer
General dated 27 August 1987

Ref: Lettre No. 0535/DS du Trésorier
Général en date du 27 août 1987

Dear Mr. Minister:

Monsieur le Ministre,

Pursuant to Section 5.2 of the subject
Agreement, the purpose of this Program
Implementation Letter (PIL) is to
confirm that the GOS has paid
CFAF 1 844 853 319 of the GOS arrears to
the private sector during the period
June 30-August 14, 1987.

Conformément à la Section 5.2. de
l'Accord susmentionné, la présente
Lettre d'Exécution a pour objet de
confirmer que le Gouvernement du Sénégal
a effectué les règlements en FCFA d'un
montant de 1 844 853 319 entre le 30
juin et le 14 août 1987 pour réduire les
arriérés du Gouvernement du Sénégal
envers le secteur privé.

USAID/Senegal therefore concurs in the
release of the local currency equivalent
of the \$6 (six) million first tranche of
the ESF-V grant to offset that
expenditure of funds.

En conséquence, l'USAID/Sénégal donne
son accord pour le déblocage, du Compte
Spécial, de l'équivalent en monnaie
nationale des six (6) millions de
dollars de la première tranche de la
subvention ESF-V pour compenser ledit
versement de fonds.

This and all subsequent PILs will be
prepared in both English and French; the
English version will control in the
event of ambiguity or conflict between
the two versions.

La présente Lettre d'Exécution et toutes
celles qui suivront seront rédigées en
Anglais et en Français; en cas
d'ambiguïté ou de désaccord entre les
deux versions, la version anglaise fera
foi.

PIL 685-0289-03 ESF-V

Lettre d'Exécution 0289-03 ESF-V p.

Please sign the original of this PIL and return it to USAID acknowledging receipt. A copy of the letter is enclosed for your files.

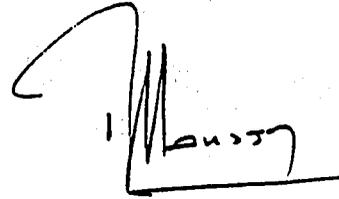
Je vous saurais gré de bien vouloir signer l'original de la présente Lettre d'Exécution et la retourner à l'USAID, en accusant réception. Veuillez trouver ci-joint une copie de la lettre pour vos archives.

Sincerely yours,

Veuillez agréer, Monsieur le Ministre, l'assurance de ma haute considération.



George Carner
Acting Mission Director, USAID/Senegal



Moussa Touré, Secrétaire d'Etat auprès du
Ministre de l'Economie & des Finances

cc:

- Mr. Djibril Sakho,
National Director, BCEAO
- Mr. Mamadou Lamine Loum, Treasurer,
Ministry of Economy & Finance
- Mr. Prosper Youm, Director of
Projection Department, Ministry of
Economy & Finance

Ampliations:

- M. Djibril Sakho, Directeur National,
BCEAO.
- M. Mamadou Lamine Loum, Trésorier
Général, Ministère de l'Economie & des
Finances
- M. Prosper Youm, Directeur de la
Prévision et de la Conjoncture, Ministère
de l'Economie & des Finances

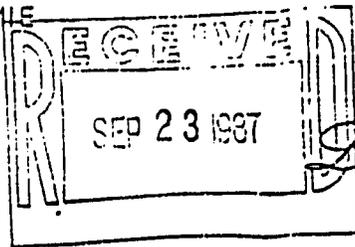
3866P

3867P

M.A.S/AD
 REPUBLIQUE DU SENEGAL
 MINISTERE DE L'ECONOMIE
 ET DES FINANCES
 DIRECTION GENERALE
 DU TRESOR
 TRESORERIE GENERALE

Dakar, le 27 AOUT 1987

PRN file



Le Trésorier Général

a M^{me} adame le Directeur de l'USAID/SENEGAL B.P 49

Référence à rappeler
 No 0535 /DS.

USAID/SENEGAL	
Date received	23 SEP. 1987.
Registry Nber	003167.
Exp. Date	10/2/87
Date Action Taken
Action Taken
Signature

DAKAR

⑥

Madame le Directeur,

Comme suite à ma lettre N° 401/DS en date du 12 août 1987, je vous fais tenir ci-joint une liste de règlements effectués par mes services entre le 30 Juin 1987 et le 14 août 1987 pour réduire le stock des arriérés de l'Etat.

Ces paiements qui portent sur un montant total de un milliard huit cent quarante quatre millions huit cent cinquante trois mille trois cent dix neuf francs CFA (1 844 853 319) peuvent être remboursés sur les fonds de la première tranche de l'aide budgétaire de un milliard huit cent seize millions cent cinq mille trois cent six francs CFA (1 816 105 306) versée par votre gouvernement dans le cadre du fonds de soutien économique phase V.

Je vous saurais gré des dispositions que vous voudrez bien faire prendre pour l'autorisation de déblocage de ces fonds.

Veillez agréer, Madame le Directeur, l'assurance de ma considération distinguée./-

- ACTION
- PRN*
- INFO
- DIR
- DDIR
- EXO
- PRM
- ECU
- IWM
- Reg Cor
- RLA
- ADO
- STDO
- FFP
- HPNO
- PDO
- SMO
- RIG
- CHRON
- Reading
- Embassy

LE TRESORIER GENERAL
 Par Procuration
[Signature]
 TRESORERIE GENERALE

REGLEMENTS SUR ARRIERES

BENEFICIAIRES	MONIANTS	BENEFICIAIRES	MONIANTS
IMPRIMERIE MINBAR	10 516 500	! SOCIETE BASSE ET CIE.	! 1 586 284
PAPETERIE LE SENEGAL	163 618 623	! ELECTRO FROID	! 1 156 100
IMPRIMERIE MONTEIRO	29 098 008	! QUINCAILLERIE SENEG.	! 9 539 102
" GUTEMBERG	3 027 996	! ENT. GENERALE DE BATIMENT	! 3 530 194
CENTRALE PAPETIERE	33 980 902	! BTP MOUSTAPHA NDIAYE	! 2 757 136
LIB. SENEGALAISE KALIFE DIALLO	1 162 560	! PAPIMEX	! 3 914 100
PAPETERIE ETOILE	23 124 035	! ETS BABACAR KHOULE	! 498 100
N. E. A.	387 317 250	! ENT. BAT ET NETTOYAGE	! 2 255 190
LA SPHERE	2 652 356	! ETS MEISSA LAM	! 91 100
LINO	572 225	! COSENCO	! 64 409 125
LIBRAIRIE COSMOS	587 750	! PAPET. ROGO	! 742 107
PAPETERIE LE MERMOZ	680 800	! SOSEDA	! 85 974 129
FROID CAP - VERT	800 191	! G. I. A.	! 1 628 160
WALO FROID	2 594 497	! SENEGAL AUTOMOBILE	! 4 702 149
ENTREPRISE MAKHOUREDIA	2 013 125	! E. G. B. M.	! 10 371 130
PAPETERIE EVE	2 789 360	! SISMAR	! 1 662 100
HORIZON IMP. PAPETERIE	2 209 950	! E.G.N.E.B.	! 2 000 100
GRAPHITEX	16 325 476	! E.S.E.T.B.	! 4 980 130
TOUBA DISTRIBUTION	7 006 450	! E.B.C.I.	! 22 923 125
SENEGAL DISTRIBUTION	2 493 636	! E.C.M.B.	! 2 500 100
ENT. SOKHNA MBACKE	3 042 000	! SOCONETRA	! 7 187 150
SENE MEUBLE DIAW	299 475	! I.B.M.	! 2 569 172
SENEGAL FROID	943 102	! N.I.S.	! 21 194
ETS LO ET FRERES	5 941 302	! EDITION DES 3 FLEUVES	! 137 100
I O A	2 126 400	! PAPETERIE VIALE	! 602 165
DAKAR MEUBLES	728 000	! MECANO ARCENS	! 1 064 107
DISTRIBUTION EXPRESS	2 000 000	! SENEGAL CONSTRUCTION	! 2 943 143
DJOLOFF CONFECTION	2 361 000	! E.M.M.E.B.N	! 12 834 100
E.G.B.M BARA DIAKHATE	10 000 000	! JARDIN VERT	! 2 485 112
ESN BABACAR NDIAYE	3 500 000	! SOSETER	! 358 059 112
SENEGAL EQUIP	19 675 825	! GARAGE AUTOMATIQUE	! 623 195
COMPAGNIE COMMERCIALE	1 165 140	! SOCIETE GLE DE COURTAG	! 63 572 100
ESTPV	338 741	! CENTRE COMMERCIAL CAP-VERT	! 3 124 100
ELECTRO AUTO	1 500 000	! ENT. N'DAWA	! 22 917 100

...//...

...//2

E S S V		2 841 720	!BLANCHISSERIE DU CYGNE		2 459 972
CLINIQUE NIANG		6 320 000	!COSEFE		11 510 846
DOCTEUR STYLO		2 000 000	!E. B. E. V.		2 317 000
STÉ. IND. FLEUVE		5 539 000	!E. C. T. P.		6 733 750
SOSELF		21 955 713	!BOITE A BIJOUX		2 905 719
GENTLEMEN		28 763 050	!EBES		7 579 158
S. V. T. P.		128 114 261	!TRANSPORT MAMADOU GOUMBALA		39 960 838
C. S. E.		98 738 385	!ENTREPRISE MOCTAR SAMB		22 916 000
IMPRIMERIE NORD		2 070 000	!		!
		-----			!
<u>TOTAUX</u>		1 844 853 319			

USAID/Senegal
B.P. 49
Dakar

Dakar, le 12 décembre 1987

Monsieur Moussa Touré
Secrétaire d'Etat auprès du Ministre de
l'Economie & des Finances
Centre Peytavin
Dakar

AID/PRM/87-106

Subject: Economic Support Fund Grant
(ESF-V) (685-0289).
Implementation Letter 0289-04:
Release of the Second Tranche

Objet: Programme de Subvention du Fonds de
Soutien Economique Phase V (ESF-V)
(685-0289). Lettre d'Exécution No.
0289-04: Déblocage des fonds de la seconde
tranche.

References:

(A) Program Grant Agreement between
the Republic of Senegal and the United
States of America for Budgetary
Support under the FY 1987 Economic
Support Fund Structural Adjustment
Grant (ESF-V), dated May 6, 1987.

(B) Memorandum of Agreement
Pertaining to Economic Support Fund
Cash Transfers, dated September 24,
1987.

Dear Mr. Minister:

1. USAID/Senegal confirms that the
conditions precedent to release of the
5,075,000 dollars second tranche of
the ESF-V grant specified in Section
2.4 of the Grant Agreement have been
satisfied, except for those referring
to the audit of SONACOS (sections
2.3.C(3) and 2.4.C(3)) and to the
intention of the GOS to remove
constraints on bank credit to small
and medium scale enterprises (section
2.4.D). An amendment to the Grant
Agreement revising those conditions

Références:

(A) Accord de Subvention de Programme entre
la République du Sénégal et les Etats-Unis
d'Amérique pour un Soutien Budgétaire dans
le cadre du Programme de Subvention du
Fonds de Soutien Economique Phase V,
Programme d'Ajustement Structurel (ESF-V)
(Année Fiscale 1987), en date du 6 mai 1987.

(B) Protocole d'Accord relatif aux
transferts de liquidités du Fonds de
Soutien Economique en date du 24 septembre
1987.

Monsieur le Ministre,

1. L'USAID Sénégal confirme que les
conditions préalables au déblocage des
5,075,000 dollars de la seconde tranche de
la subvention ESF-V, spécifiées dans la
section 2.4 de l'Accord de Subvention, ont
été satisfaites, sauf celles se rapportant
à l'audit de la SONACOS (sections 2.3.C(3)
et 2.4.C(3)) et à l'intention du Gouverne-
ment du Sénégal de lever les contraintes du
système bancaire sur l'octroi des crédits
aux petites et moyennes entreprises
(section 2.4.D). Un amendement à l'Accord
de Subvention modifiant ces conditions

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precedent and the Special Covenant referring to rice import privatization (section 4.2.9) is attached for signature. The GOS confirms its intention to satisfy the original conditions in keeping with revised schedules worked out with the other donors.

2. The GOS confirms that CFAF 1.6 billion of GOS arrears have been paid to private sector enterprises from September 1, 1987 to November 30, 1987 according to the list attached to the letter from the GOS Treasurer General dated December 9, 1987, and that those amounts have not already been reimbursed out of an existing (or retired) USAID-funded ESF, AEPRP, or PL 480 Title I Special Account.

3. USAID/Senegal confirms that it will request USAID/Washington to transfer \$5,075,000 to BCEAO Account No. 36-058-204 at Citibank/New York (the ESF Special Dollar Account for Senegal), for conversion to CFAF to be deposited in the GOS ESF Special CFAF Account No. 305.1000.5.106 at the BCEAO in Dakar.

4. The GOS certifies that the dollars received from the second tranche of the ESF-V Grant will not be used for military or paramilitary purposes.

5. The GOS agrees to provide USAID/Senegal with accounting records concerning dollar imports of an amount equivalent to \$5,075,000 during the six months following the date of the transfer of funds.

6. The BCEAO will notify USAID/Senegal by written communication of receipt of the transfer within three days of its receipt by the bank in New York.

préalables, ainsi que la convention spéciale se rapportant à la privatisation de l'importation du riz (section 4.2.9), est joint pour signature. Le Gouvernement du Sénégal confirme son intention de remplir les conditions originales en accord avec les calendriers modifiés établis avec les autres bailleurs de fonds.

2. Le Gouvernement du Sénégal confirme que la somme de 1,6 milliard de FCFA a été payée au titre des arriérés du Gouvernement du Sénégal aux entreprises du secteur privé du 1er septembre au 30 novembre 1987, selon la liste jointe à la lettre du Trésorier Général du Gouvernement du Sénégal en date du 9 décembre 1987, et que cette somme n'a pas déjà été remboursée à partir d'un Compte Spécial alimenté par un des programmes ESF, AEPRP ou PL 480 Titre I de l'USAID, actuel ou terminé.

3. L'USAID/Sénégal confirme qu'elle demandera à l'USAID/Washington de transférer la somme de 5.075.000 dollars au compte 36-058-204 de la BCEAO à la Citibank/New York (le Compte Spécial ESF en dollars du Sénégal), pour que son équivalent en FCFA soit déposé dans le Compte Spécial ESF en FCFA du Gouvernement du Sénégal No. 305.1000.5.106 à la BCEAO à Dakar.

4. Le Gouvernement du Sénégal atteste que les fonds en dollars reçus de la seconde tranche de la subvention ESF-V ne serviront pas à des fins militaires ni paramilitaires.

5. Le Gouvernement du Sénégal accepte de fournir à l'USAID les pièces justificatives concernant les importations en dollars d'un montant équivalent à 5.075.000 dollars au cours des six mois suivant la date du transfert des fonds.

6. La BCEAO devra notifier par écrit à l'USAID la réception du transfert dans les trois jours suivant la réception des fonds par la banque à New York.

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7. Any interest generated by the Special Dollar Account during the period between receipt of the dollar funds and disbursement of the CFAF counterpart by the BCEAO is the property of the GOS. The interest will be used for the same purposes as the principal.

8. Pursuant to existing BCEAO rules and procedures ratified by the WAMU members, the BCEAO will pay into the GOS Special CFAF Account opened by the GOS in the books of the BCEAO the CFAF equivalent of the \$5,075,000 at the CFAF/dollar rate on the day of disbursement of the CFAF counterpart by the BCEAO to the GOS account. The dollars will automatically become part of the foreign exchange pool of the West African Monetary Union (WAMU).

9. USAID/Senegal concurs in the release of the CFAF counterpart of the \$5,075,000 ESF-V second tranche cash transfer from the GOS ESF Special CFAF Account No. 305.1000.5.106 to the general account of the GOS Treasury at any time after the CFAF counterpart of the cash transfer is received by the GOS, in order to reimburse the GOS for the payments of GOS arrears to private sector enterprises noted in paragraph 2 above as one of the agreed purposes covered by section 5.2 of the Grant Agreement.

10. The GOS authorizes USAID/Senegal to carry out spot checks with enterprises mentioned in the supporting documentation concerning GOS payments of arrears in order to verify that payments have been received by the beneficiaries concerned. The GOS will provide, at

7. Tous intérêts générés par le compte spécial en dollars durant la période s'écoulant entre la réception des fonds en dollars et le versement de la contrepartie en FCFA par la BCEAO sont la propriété du Gouvernement du Sénégal. Ces intérêts devront être utilisés aux mêmes fins que la principal.

8. Conformément aux règles et procédures existantes de la BCEAO ratifiées par les membres de l'UMOA, la BCEAO devra créditer le compte spécial en FCFA ouvert par le Gouvernement du Sénégal dans les livres de la BCEAO, de l'équivalent en FCFA des 5.075.000 dollars sur la base du cours du dollar/FCFA au jour du déboursement de la contrepartie en FCFA par la BCEAO au compte du Gouvernement du Sénégal. Le montant en dollars fera automatiquement partie du pool de devises de l'Union Monétaire Ouest Africaine (UMOA).

9. L'USAID/Sénégal est d'accord sur le déblocage de la contrepartie en FCFA du transfert de liquidités des 5.075.000 dollars de la deuxième tranche du ESF-V du Compte Spécial ESF en FCFA du Gouvernement du Sénégal No. 305.1000.5.106 au compte général du Trésorier du Gouvernement du Sénégal, à tout moment après réception de la contrepartie en FCFA du transfert de liquidités, afin de rembourser au Gouvernement du Sénégal le paiement des arriérés dus par le Gouvernement du Sénégal aux entreprises du secteur privé mentionné au paragraphe 2 ci-dessus comme étant l'un des objets convenus couverts par la section 5.2 de l'Accord de Subvention.

10. Le Gouvernement du Sénégal autorise L'USAID/Sénégal à procéder à des contrôles intermittents au niveau des entreprises mentionnées sur les pièces justificatives attestant le paiement des arriérés par le Gouvernement du Sénégal afin de vérifier que les bénéficiaires intéressés ont effectivement reçu ces paiements. Le Gouvernement du Sénégal devra fournir

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the request of USAID, all necessary information concerning the beneficiaries of payments made under the ESF grant.

à la demande de l'USAID tout renseignement nécessaire concernant les bénéficiaires des paiements effectués au titre de la subvention de l'ESF.

11. Nothing in this PIL alters the scope of the Grant Agreement or its Amendments. This PIL may be supplemented and modified by subsequent PILs as necessary or to meet special situations which may arise. Except where changed by this PIL, the conditions established by the PILs previously issued remain valid and in effect.

11. La présente Lettre d'Exécution ne modifie en rien le contenu de l'Accord de Subvention ou de ses Amendements. Cette Lettre d'Exécution pourra être complétée ou modifiée par la suite par d'autres Lettres d'Exécution si la situation l'exige. Sous réserve des modifications apportées par la présente Lettre d'Exécution, les conditions fixées par les précédentes Lettres d'Exécution restent valables et en vigueur.

12. This PIL is prepared in both English and French; the English version will control in the event of ambiguity or conflict between the two versions.

12. Cette Lettre d'Exécution a été élaborée en anglais et en français; en cas d'ambiguïté ou de désaccord entre les deux versions, la version anglaise fera foi.

13. We continue to be available to discuss any aspect of implementing this program or any matter pertaining to this PIL with you or your representatives.

13. Nous nous tenons à votre disposition pour discuter avec vous ou avec vos collaborateurs de tout aspect de l'exécution du programme ou de toutes questions relatives à cette Lettre d'Exécution.

14. Please sign the original of this PIL, thereby affirming the statements made above by the GOS, and return it to USAID. A copy of the letter is enclosed for your files.

14. Je vous saurais gré de bien vouloir signer l'original de la présente Lettre d'Exécution, ratifiant ainsi les déclarations faites ci-dessus par le Gouvernement du Sénégal et le retourner à l'USAID. Vous trouverez ci-joint une copie de la lettre pour vos archives.

Sincerely yours,

Veuillez agréer, Monsieur le Ministre, l'assurance de ma haute considération.



George Carter
Acting Mission Director, USAID/Senegal

Monssa Toure, Secrétaire d'Etat auprès du
Ministre de l'Economie & des Finances

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Lettre d'Exécution 0289-04 ESF-V p. 5

cc :

- Mr. Djibril Sakho,
National Director, BCEAO
- Mr. Mamadou Lamine Loum, Treasurer,
Ministry of Economy & Finance
- Mr. Prosper Youm, Director of
Projection Department, Ministry of
Economy & Finance
- Mr. Michel Accad, Acting Director,
Citibank/Dakar

Ampliations:

- M. Djibril Sakho, Directeur National
BCEAO.
- M. Mamadou Lamine Loum, Trésorier
Général, Ministère de l'Economie & des
Finances
- M. Prosper Youm, Directeur de la
Prévision et de la Conjoncture, Ministère
de l'Economie & des Finances
- M. Michel Accad, Directeur p.i., Citibank/
Dakar

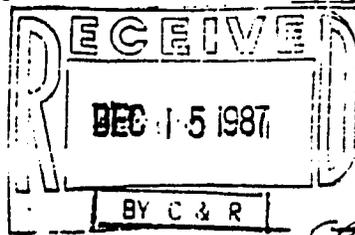
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MAS/Mn
 REPUBLIQUE DU SENEGAL
 MINISTERE DE L'ECONOMIE
 ET DES FINANCES
 DIRECTION GENERALE
 DU TRESOR
 TRESORERIE GENERALE



Dakar, le - 9 DEC. 1987

PRM file

Le Trésorier Général

Action To :
 Office :
 Date :
 To :
 By :
 Date : *12/18/87*

Reference à Rappel:

N° _____ /CS

Monsieur Harold LUBELL, Chef
 du Bureau du Programme
 USAID/SENEGAL

DAKAR

Reçu 12/9/87 in PRM.

Attachment with PRM: H Lubell

Monsieur,

Comme suite à votre lettre en date du 4 décembre 1987, je vous prie de bien vouloir trouver ci-joint une liste de paiements d'arriérés de l'Etat dus à des entreprises privées.

Ces paiements qui portent sur un montant total de un milliard six cent vingt quatre millions sept cent dix neuf mille quatre cent soixante (1 624 719 475) peuvent donc être remboursés avec la deuxième tranche du Programme ESFV d'un montant de 3.075,000 dollars.

Mes services se tiennent à votre disposition pour des précisions complémentaires à fournir.

Veuillez agréer, Monsieur, l'assurance de ma considération distinguée./-

Mamadou Lamine LOUMY

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ANNEX 9

STATUTORY CHECKLISTS

SC(1) - COUNTRY CHECKLIST

Listed below are statutory criteria applicable to: (A) FAA funds generally; (B)(1) Development Assistance funds only; or (B)(2) the Economic Support Fund only.

A. GENERAL CRITERIA FOR COUNTRY ELIGIBILITY

1. FY 1988 Continuing Resolution Sec. 526.
Has the President certified to the Congress that the government of the recipient country is failing to take adequate measures to prevent narcotic drugs or other controlled substances which are cultivated, produced or processed illicitly, in whole or in part, in such country or transported through such country, from being sold illegally within the jurisdiction of such country to United States Government personnel or their dependents or from entering the United States unlawfully?

2. FAA Sec. 481(h). (This provision applies to assistance of any kind provided by grant, sale, loan, lease, credit, guaranty, or insurance, except assistance from the Child Survival Fund or relating to international narcotics control, disaster and refugee relief, or the provision of food or medicine.) If the recipient is a "major illicit drug producing country" (defined as a country producing during a fiscal year at least five metric tons of opium or 500 metric tons of coca or marijuana) or a "major drug-transit country" (defined as a country that is a significant direct source of illicit drugs significantly affecting the United States, through which such drugs are transported, or through which significant sums of drug-related profits are laundered with the knowledge or complicity of the government), has the President in the March 1 International Narcotics Control Strategy Report (INSCR) determined and certified to the Congress (without

Not applicable

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Congressional enactment, within 30 days of continuous session, of a resolution disapproving such a certification), or has the President determined and certified to the Congress on any other date (with enactment by Congress of a resolution approving such certification), that (a) during the previous year the country has cooperated fully with the United States or taken adequate steps on its own to prevent illicit drugs produced or processed in or transported through such country from being transported into the United States, and to prevent and punish drug profit laundering in the country, or that (b) the vital national interests of the United States require the provision of such assistance?

3. Drug Act Sec. 2013. (This section applies to the same categories of assistance subject to the restrictions in FAA Sec. 481(h), above.) If recipient country is a "major illicit drug producing country" or "major drug-transit country" (as defined for the purpose of FAA Sec 481(h)), has the President submitted a report to Congress listing such country as one (a) which, as a matter of government policy, encourages or facilitates the production or distribution of illicit drugs; (b) in which any senior official of the government engages in, encourages, or facilitates the production or distribution of illegal drugs; (c) in which any member of a U.S. Government agency has suffered or been threatened with violence inflicted by or with the complicity of any government officer; or (d) which fails to provide reasonable cooperation to lawful activities of U.S. drug enforcement agents, unless the President has provided the required certification to Congress pertaining to U.S. national interests and the drug control and criminal prosecution efforts of that country?

Not applicable

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4. FAA Sec. 620(c). If assistance is to a government, is the government liable as debtor or unconditional guarantor on any debt to a U.S. citizen for goods or services furnished or ordered where (a) such citizen has exhausted available legal remedies and (b) the debt is not denied or contested by such government? No
5. FAA Sec. 620(e)(1). If assistance is to a government, has it (including any government agencies or subdivisions) taken any action which has the effect of nationalizing, expropriating, or otherwise seizing ownership or control of property of U.S. citizens or entities beneficially owned by them without taking steps to discharge its obligations toward such citizens or entities? No
6. FAA Secs. 620(a), 620(f), 620D; FY 1988 Continuing Resolution Secs. 512, 554. Is recipient country a Communist country? If so, has the President determined that assistance to the country is vital to the security of the United States, that the recipient country is not controlled by the international Communist conspiracy, and that such assistance will further promote the independence of the recipient country from international communism? Will assistance be provided, either directly or indirectly, to Angola, Cambodia, Cuba, Iraq, Libya, Vietnam, South Yemen, Iran or Syria? Will assistance be provided to Afghanistan without a certification? No
7. FAA Sec. 620(j). Has the country permitted, or failed to take adequate measures to prevent, damage or destruction by mob action of U.S. property? No
8. FAA Sec. 620(l). Has the country failed to enter into an investment guaranty agreement with CPIC? No

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9. FAA Sec. 620(o); Fishermen's Protective Act of 1967 (as amended) Sec. 5. (a) Has the country seized, or imposed any penalty or sanction against, any U.S. fishing vessel because of fishing activities in international waters? (b) If so, has any deduction required by the Fishermen's Protective Act been made? No
10. FAA Sec. 620(q); FY 1988 Continuing Resolution Sec. 519. (a) Has the government of the recipient country been in default for more than six months on interest or principal of any loan to the country under the FAA? (b) Has the country been in default for more than one year on interest or principal on any U.S. loan under a program for which the FY 1988 Continuing Resolution appropriates funds? No
11. FAA Sec. 620(s). If contemplated assistance is development loan or to come from Economic Support Fund, has the Administrator taken into account the percentage of the country's budget and amount of the country's foreign exchange or other resources spent on military equipment? (Reference may be made to the annual "Taking Into Consideration" memo: "Yes, taken into account by the Administrator at time of approval of Agency OYB." This approval by the Administrator of the Operational Year Budget can be the basis for an affirmative answer during the fiscal year unless significant changes in circumstances occur.) Yes. Taken into account by the Administrator at the time of approval of Agency OYB for 1988. Significant changes are not anticipated.
12. FAA Sec. 620(t). Has the country severed diplomatic relations with the United States? If so, have relations been resumed and have new bilateral assistance agreements been negotiated and entered into since such resumption? No

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13. FAA Sec. 620(u). What is the payment status of the country's U.N. obligations? If the country is in arrears, were such arrearages taken into account by the A.I.D. Administrator in determining the current A.I.D. Operational Year Budget? (Reference may be made to the Taking into Consideration memo.)
- In Arrears
Yes
14. FAA Sec. 620A. Has the President determined that the recipient country grants sanctuary from prosecution to any individual or group which has committed an act of international terrorism or otherwise supports international terrorism?
- No
15. FY 1988 Continuing Resolution Sec. 576. Has the country been placed on the list provided for in Section 6(j) of the Export Administration Act of 1979 (currently Libya, Iran, South Yemen, Syria, Cuba, or North Korea)?
- No
16. ISDCA of 1985 Sec. 552(b). Has the Secretary of State determined that the country is a high terrorist threat country after the Secretary of Transportation has determined, pursuant to section 1115(e)(2) of the Federal Aviation Act of 1958, that an airport in the country does not maintain and administer effective security measures?
- No
17. FAA Sec. 666(b). Does the country object, on the basis of race, religion, national origin or sex, to the presence of any officer or employee of the U.S. who is present in such country to carry out economic development programs under the FAA?
- No
18. FAA Secs. 669, 670. Has the country, after August 3, 1977, delivered to any other country or received nuclear enrichment or reprocessing equipment, materials, or technology, without specified arrangements or safeguards, and without special certification by the President? Has it transferred a nuclear explosive device to a non-nuclear weapon state, or if such a state, either received or detonated a nuclear explosive device? (FAA Sec. 620E permits a special waiver of Sec. 669 for Pakistan.)
- No

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19. FAA Sec. 670. If the country is a non-nuclear weapon state, has it, on or after August 8, 1985, exported (or attempted to export) illegally from the United States any material, equipment, or technology which would contribute significantly to the ability of a country to manufacture a nuclear explosive device?
20. ISDCA of 1981 Sec. 720. Was the country represented at the Meeting of Ministers of Foreign Affairs and Heads of Delegations of the Non-Aligned Countries to the 36th General Assembly of the U.N. on Sept. 25 and 28, 1981, and did it fail to disassociate itself from the communique issued? If so, has the President taken it into account? (Reference may be made to the Taking into Consideration memo.)
21. FY 1988 Continuing Resolution Sec. 528. Has the recipient country been determined by the President to have engaged in a consistent pattern of opposition to the foreign policy of the United States?
22. FY 1988 Continuing Resolution Sec. 513. Has the duly elected Head of Government of the country been deposed by military coup or decree? If assistance has been terminated, has the President notified Congress that a democratically elected government has taken office prior to the resumption of assistance?
23. FY 1988 Continuing Resolution Sec. 543. Does the recipient country fully cooperate with the international refugee assistance organizations, the United States, and other governments in facilitating lasting solutions to refugee situations, including resettlement without respect to race, sex, religion, or national origin?

Yes. Senegal was represented at the meeting, but "reserved orally." Such action has been taken into account.

No

No

Yes

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B. FUNDING SOURCE CRITERIA FOR COUNTRY ELIGIBILITY

1. Development Assistance Country Criteria

FAA Sec. 116. Has the Department of State determined that this government has engaged in a consistent pattern of gross violations of internationally recognized human rights? If so, can it be demonstrated that contemplated assistance will directly benefit the needy?

No

FY 1988 Continuing Resolution Sec. 538. Has the President certified that use of DA funds by this country would violate any of the prohibitions against use of funds to pay for the performance of abortions as a method of family planning, to motivate or coerce any person to practice abortions, to pay for the performance of involuntary sterilization as a method of family planning, to coerce or provide any financial incentive to any person to undergo sterilizations, to pay for any biomedical research which relates, in whole or in part, to methods of, or the performance of, abortions or involuntary sterilization as a means of family planning?

No

2. Economic Support Fund Country Criteria

FAA Sec. 502B. Has it been determined that the country has engaged in a consistent pattern of gross violations of internationally recognized human rights? If so, has the President found that the country made such significant improvement in its human rights record that furnishing such assistance is in the U.S. national interest?

No

FY 1988 Continuing Resolution Sec. 549. Has this country met its drug eradication targets or otherwise taken significant steps to halt illicit drug production or trafficking?

Yes

3(A)2 - NONPROJECT ASSISTANCE CHECKLIST

The criteria listed in Part A are applicable generally to FAA funds, and should be used irrespective of the program's funding source. In Part B a distinction is made between the criteria applicable to Economic Support Fund assistance and the criteria applicable to Development Assistance. Selection of the criteria will depend on the funding source for the program.

CROSS REFERENCES: IS COUNTRY CHECKLIST UP TO DATE? HAS STANDARD ITEM CHECKLIST BEEN REVIEWED?

A. GENERAL CRITERIA FOR NONPROJECT ASSISTANCE

1. FY 1987 Continuing Resolution Sec. 523; FAA Sec. 634A. Describe how authorization and appropriations committees of Senate and House have been or will be notified concerning the project.
2. FAA Sec. 611 a)(2) If further legislative action is required within recipient country, what is basis for reasonable expectation that such action will be completed in time to permit orderly accomplishment of purpose of the assistance?
3. FAA Sec. 209. Is assistance more efficiently and effectively provided through regional or multilateral organizations? If so, why is assistance not so provided? Information and conclusions on whether assistance will encourage developing countries to cooperate in regional development programs.

The ESF-Program Grant appears in the FY 88 Congressional Presentation. Pursuant the CR FY88, Congress was notified in June 1988 and the 15-day waiting period expired without comment.

N.A.

No.

ESF-V will not encourage regional development programs. It is Senegal-specific.

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4. FAA Sec. 601(a). Information and conclusions on whether assistance will encourage efforts of the country to:
 (a) increase the flow of international trade; (b) foster private initiative and competition; (c) encourage development and use of cooperatives, credit unions, and savings and loan associations; (d) discourage monopolistic practices; (e) improve technical efficiency of industry, agriculture, and commerce; and (f) strengthen free labor unions.
- Conditionality aims at increasing private sector initiative and competition.
5. FAA Sec. 601(b). Information and conclusions on how assistance will encourage U.S. private trade and investment abroad and encourage private U.S. participation in foreign assistance programs (including use of private trade channels and the services of U.S. private enterprise).
- No direct effect.
6. FAA Secs. 612(b), 636(h); FY 1987 Continuing Resolution Secs. 507, 509. Describe steps taken to assure that, to the maximum extent possible, foreign currencies owned by the U.S. are utilized in lieu of dollars to meet the cost of contractual and other services.
- N.A.
7. FAA Sec. 612(d). Does the U.S. own excess foreign currency of the country and, if so, what arrangements have been made for its release?
- No.
8. FAA Sec. 601(e). Will the assistance utilize competitive selection procedures for the awarding of contracts, except where applicable procurement rules allow otherwise?
- Yes, for studies and technical assistance
9. FAA 121(d). If assistance is being furnished under the Sahel Development Program, has a determination been made that the host government has an adequate system for accounting for and controlling receipt and expenditure of A.I.D. funds?
- N.A. Funds are not provided by Sahel appropriation.
10. FY 1987 Continuing Resolution Sec. 532. Is disbursement of the assistance conditioned solely on the basis of the policies of any multilateral institution?
- No.

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B. FUNDING CRITERIA FOR NONPROJECT ASSISTANCE**1. Nonproject Criteria for Economic Support Fund**

a. FAA Sec. 531(a). Will this assistance promote economic and political stability? To the maximum extent feasible, is this assistance consistent with the policy directions, purposes, and programs of Part I of the FAA? Yes.

b. FAA Sec. 531(e). Will assistance under this chapter be used for military or paramilitary activities? No.

c. FAA Sec. 531(d). Will ESF funds made available for commodity import programs or other program assistance be used to generate local currencies? If so, will at least 50 percent of such local currencies be available to support activities consistent with the objectives of FAA sections 103 through 106? No.

d. ISDCA of 1985 Sec. 205. Will ESF funds made available for commodity import programs be used for the purchase of agricultural commodities of United States-origin? If so, what percentage of the funds will be so used? No.

e. ISDCA of 1985 Sec. 801. If ESF funds will be used to finance imports by an African country (under a commodity import program or sector program), will the agreement require that those imports be used to meet long-term development needs in those countries in accordance with the following criteria? N.A.

(i) spare parts and other imports shall be allocated on the basis of evaluations, by A.I.D., of the ability of likely recipients to use such spare parts and imports in a maximally productive, employment generating, and cost-effective way;

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(ii) imports shall be coordinated with investments in accordance with the recipient country's plans for promoting economic development. A.I.D. shall assess such plans to determine whether they will effectively promote economic development;

(iii) emphasis shall be placed on imports for agricultural activities which will expand agricultural production, particularly activities which expand production for export or production to reduce reliance on imported agricultural products;

(iv) emphasis shall also be placed on a distribution of imports having a broad development impact in terms of economic sectors and geographic regions;

(v) in order to maximize the likelihood that the imports financed by the United States under the ESF chapter are in addition to imports which would otherwise occur, consideration shall be given to historical patterns of foreign exchange uses;

(vi)(A) 75 percent of the foreign currencies generated by the sale of such imports by the government of the country shall be deposited in a special account established by that government and, except as provided in subparagraph (B), shall be available only for use in accordance with the agreement for economic development activities which are consistent with the policy directions of section 102 of the FAA and which are the types of activities for which assistance may be provided under sections 103 through 106 of the FAA;

- 5 -

(B) the agreement shall require that the government of the country make available to the United States Government such portion of the amount deposited in the special account as may be determined by the President to be necessary for requirements of the United States Government.

- f. ISDCA of 1985 Sec. 207. Will ESF funds be used to finance the construction of, or the operation or maintenance of, or the supplying of fuel for, a nuclear facility? If so, has the President certified that such country (1) is a party to the Treaty on the Non-Proliferation of Nuclear Weapons or the Treaty for the Prohibition of Nuclear Weapons in Latin American (the "Treaty of Tlatelolco"), (2) cooperates fully with the IAEA, and (3) pursues nonproliferation policies consistent with those of the United States? No.
- g. FAA Sec. 609. If commodities are to be granted so that sale proceeds will accrue to the recipient country, have Special Account (counterpart) arrangements been made? N.A.
- h. FY 1987 Continuing Resolution. If assistance is in the form of a cash transfer to any country which receives in excess of a total of \$5 million as cash transfer assistance in the current fiscal year: (a) are all such cash payments to be maintained by the country in a separate account and not to be commingled with any other funds? (b) will all local currencies that may be generated with funds provided as a cash transfer to such a country also be deposited in a special account to be used in accordance with FAA Section 609 (which requires such local currencies to be made available to the U.S. government as the U.S. determines necessary for the requirements of the U.S. Government, and which requires the remainder to be used for programs agreed to by the U.S. Government to carry out the purposes for which new funds authorized by the FAA would themselves be available)? Yes.

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2. Nonproject Criteria for Development Assistance

a. FAA Secs. 102(a), 111, 113, 201(a).
Extent to which activity will (a) effectively involve the poor in development, by expanding access to economy at local level, increasing labor-intensive production and the use of appropriate technology, spreading investment out from cities to small towns and rural areas, and insuring wide participation of the poor in the benefits of development on a sustained basis, using the appropriate U.S. institutions; (b) help develop cooperatives, especially by technical assistance, to assist rural and urban poor to help themselves toward better life, and otherwise encourage democratic private and local governmental institutions; (c) support the self-help efforts of developing countries; (d) promote the participation of women in the national economies of developing countries and the improvement of women's status; and (e) utilize and encourage regional cooperation by developing countries?

N.A.

b. FAA Secs. 103, 103A, 104, 105, 106, 120-21. Is assistance being made available (include only applicable paragraph which corresponds to source of funds used; if more than one fund source is used for assistance, include relevant paragraph for each fund source):

N.A.

(1) [103] for agriculture, rural development or nutrition; if so (a) extent to which activity is specifically designed to increase productivity and income of rural poor; [103A] if for agricultural research, account shall be taken of the needs of small farmers, and extensive use of field testing to adapt basic research to local conditions shall be made; (b) extent to which assistance is used in coordination with efforts carried out under Sec. 104 to help improve nutrition of the people of developing countries through encouragement of increased production of crops with greater nutritional value;

- 7 -

improvement of planning, research, and education with respect to nutrition, particularly with reference to improvement and expanded use of indigenously produced foodstuffs; and the undertaking of pilot or demonstration programs explicitly addressing the problem of malnutrition of poor and vulnerable people; and (c) extent to which activity increases national food security by improving food policies and management and by strengthening national food reserves, with particular concern for the needs of the poor, through measures encouraging domestic production, building national food reserves, expanding available storage facilities, reducing post harvest food losses, and improving food distribution.

(2) [104] for population planning under Sec. 104(b) or health under Sec. 104(c); if so, extent to which activity emphasizes low-cost, integrated delivery systems for health, nutrition and family planning for the poorest people, with particular attention to the needs of mothers and young children, using paramedical and auxiliary medical personnel, clinics and health posts, commercial distribution systems, and other modes of community outreach.

(3) [105] for education, public administration, or human resources development; if so, (a) extent to which activity strengthens nonformal education, makes formal education more relevant, especially for rural families and urban poor, and strengthens management capability of institutions enabling the poor to participate in development; and (b) extent to which assistance provides advanced education and training of people of developing countries in such disciplines as are required for planning and implementation of public and private development activities.

- 8 -

(4) [106] for technical assistance, energy, research, reconstruction, and selected development problems; if so, extent activity is:

(i)(a) concerned with data collection and analysis, the training of skilled personnel, research on and development of suitable energy sources, and pilot projects to test new methods of energy production; and (b) facilitative of research on and development and use of small-scale, decentralized, renewable energy sources for rural areas, emphasizing development of energy resources which are environmentally acceptable and require minimum capital investment;

(ii) concerned with technical cooperation and development, especially with U.S. private and voluntary, or regional and international development, organizations;

(iii) research into, and evaluation of, economic development processes and techniques;

(iv) reconstruction after natural or manmade disaster and programs of disaster preparedness;

(v) for special development problems, and to enable proper utilization of infrastructure and related projects funded with earlier U.S. assistance;

(vi) for urban development, especially small, labor-intensive enterprises, marketing systems for small producers, and financial or other institutions to help urban poor participate in economic and social development.

- 9 -

(5) [120-21] for the Sahelian region; if so, (a) extent to which there is international coordination in planning and implementation; participation and support by African countries and organizations in determining development priorities; and a long-term, multi-donor development plan which calls for equitable burden-sharing with other donors; (b) has a determination been made that the host government has an adequate system for accounting for and controlling receipt and expenditure of projects funds (dollars or local currency generated therefrom)?

c. FAA Sec. 107. Is special emphasis placed on use of appropriate technology (defined as relatively smaller, cost-saving, labor using technologies that are generally most appropriate for the small farms, small businesses, and small incomes of the poor)?

N.A.

d. FAA Sec. 281 b). Describe extent to which the activity recognizes the particular needs, desires, and capacities of the people of the country; utilizes the country's intellectual resources to encourage institutional development; and supports civic education and training in skills required for effective participation in governmental and political processes essential to self-government.

N.A.

e. FAA Sec. 101 a). Does the activity give reasonable promise of contributing to the development of economic resources, or to the increase of productive capacities and self-sustaining economic growth?

N.A.

SC(2) - PROJECT CHECKLIST

Listed below are statutory criteria applicable to projects. This section is divided into two parts. Part A includes criteria applicable to all projects. Part B applies to projects funded from specific sources only: B(1) applies to all projects funded with Development Assistance; B(2) applies to projects funded with Development Assistance loans; and B(3) applies to projects funded from ESF.

CROSS REFERENCES: IS COUNTRY CHECKLIST UP TO DATE? HAS STANDARD ITEM CHECKLIST BEEN REVIEWED FOR THIS PROJECT?

A. GENERAL CRITERIA FOR PROJECT

1. FY 1988 Continuing Resolution Sec. 523; FAA Sec. 634A. If money is sought to obligated for an activity not previously justified to Congress, or for an amount in excess of amount previously justified to Congress, has Congress been properly notified?
Congressional Notification will be sent to Congress.
2. FAA Sec. 611(a)(1). Prior to an obligation in excess of \$500,000, will there be (a) engineering, financial or other plans necessary to carry out the assistance, and (b) a reasonably firm estimate of the cost to the U.S. of the assistance?
N/A
3. FAA Sec. 611(a)(2). If legislative action is required within recipient country, what is the basis for a reasonable expectation that such action will be completed in time to permit orderly accomplishment of the purpose of the assistance?
No legislative action required.

5C(2) - PROJECT CHECKLIST

Listed below are statutory criteria applicable to projects. This section is divided into two parts. Part A includes criteria applicable to all projects. Part B applies to projects funded from specific sources only: B(1) applies to all projects funded with Development Assistance; B(2) applies to projects funded with Development Assistance loans; and B(3) applies to projects funded from ESF.

CROSS REFERENCES: IS COUNTRY CHECKLIST UP TO DATE? HAS STANDARD ITEM CHECKLIST BEEN REVIEWED FOR THIS PROJECT?

A. GENERAL CRITERIA FOR PROJECT

1. FY 1988 Continuing Resolution Sec. 523; FAA Sec. 634A. If money is sought to obligated for an activity not previously justified to Congress, or for an amount in excess of amount previously justified to Congress, has Congress been properly notified?
2. FAA Sec. 611(a)(1). Prior to an obligation in excess of \$500,000, will there be (a) engineering, financial or other plans necessary to carry out the assistance, and (b) a reasonably firm estimate of the cost to the U.S. of the assistance?
3. FAA Sec. 611(a)(2). If legislative action is required within recipient country, what is the basis for a reasonable expectation that such action will be completed in time to permit orderly accomplishment of the purpose of the assistance?

Congressional Notification will be sent to Congress.

No legislative action required.

4. FAA Sec. 611(b); FY 1988 Continuing Resolution Sec. 501. If project is for water or water-related land resource construction, have benefits and costs been computed to the extent practicable in accordance with the principles, standards, and procedures established pursuant to the Water Resources Planning Act (42 U.S.C. 1962, et seq.)? (See A.I.D. Handbook 3 for guidelines.) N/A
5. FAA Sec. 611(e). If project is capital assistance (e.g., construction), and total U.S. assistance for it will exceed \$1 million, has Mission Director certified and Regional Assistant Administrator taken into consideration the country's capability to maintain and utilize the project effectively? N/A
6. FAA Sec. 209. Is project susceptible to execution as part of regional or multilateral project? If so, why is project not so executed? Information and conclusion whether assistance will encourage regional development programs. No
7. FAA Sec. 601(a). Information and conclusions on whether projects will encourage efforts of the country to:
 (a) increase the flow of international trade; (b) foster private initiative and competition; (c) encourage development and use of cooperatives, credit unions, and savings and loan associations; (d) discourage monopolistic practices; (e) improve technical efficiency of industry, agriculture and commerce; and (f) strengthen free labor unions.
 (a) N/a
 (b) Yes, by exploring options of disengagement of a parastatal company from private sector activities
 (c) N/A
 (d) Yes, see b
 (e) Yes, see b
 (f) N/A
8. FAA Sec. 601(b). Information and conclusions on how project will encourage U.S. private trade and investment abroad and encourage private U.S. participation in foreign assistance programs (including use of private trade channels and the services of U.S. private enterprise). U.S. short-term technical assistance will be furnished under the project.
9. FAA Secs. 612(b), 636(h). Describe steps taken to assure that, to the maximum extent possible, the country is contributing local currencies to meet the cost of contractual and other services, and foreign currencies owned by the U.S. are utilized in lieu of dollars. Funds provided for studies directly related to ESF VI cash transfer conditionality. GOS will contribute in kind to be successful completion of the studies.

10. FAA Sec. 612(d). Does the U.S. own excess foreign currency of the country and, if so, what arrangements have been made for its release? No
11. FY 1988 Continuing Resolution Sec. 521. If assistance is for the production of any commodity for export, is the commodity likely to be in surplus on world markets at the time the resulting productive capacity becomes operative, and is such assistance likely to cause substantial injury to U.S. producers of the same, similar or competing commodity? No
12. FY 1988 Continuing Resolution Sec. 553. Will the assistance (except for programs in Caribbean Basin Initiative countries under U.S. Tariff Schedule "Section 807," which allows reduced tariffs on articles assembled abroad from U.S.-made components) be used directly to procure feasibility studies, prefeasibility studies, or project profiles or potential investment in, or to assist the establishment of facilities specifically designed for, the manufacture for export to the United States or to third country markets in direct competition with U.S. exports, of textiles, apparel, footwear, handbags, flat goods (such as wallets or coin purses worn on the person), work gloves or leather wearing apparel? No
13. FAA Sec. 119(q)(4)-(6). Will the assistance (a) support training and education efforts which improve the capacity of recipient countries to prevent loss of biological diversity; (b) be provided under a long-term agreement in which the recipient country agrees to protect ecosystems or other wildlife habitats; (c) support efforts to identify and survey ecosystems in recipient countries worthy of protection; or (d) by any direct or indirect means significantly degrade national parks or similar protected areas or introduce exotic plants or animals into such areas? (a) No
(b) No
(c) No
(d) No

14. FAA 121(d). If a Sahel project, has a determination been made that the host government has an adequate system for accounting for and controlling receipt and expenditure of project funds (either dollars or local currency generated therefrom)? This is a Sahel Project. No project funds will be made available directly to the GOS.
15. FY 1988 Continuing Resolution If assistance is to be made to a United States PVO (other than a cooperative development organization), does it obtain at least 20 percent of its total annual funding for international activities from sources other than the United States Government? N/A
16. FY 1988 Continuing Resolution Sec. 514. If funds are being obligated under an appropriation account to which they were not appropriated, has prior approval of the Appropriations Committees of Congress been obtained? N/A
17. FY Continuing Resolution Sec. 515. If deob/reob authority is sought to be exercised in the provision of assistance, are the funds being obligated for the same general purpose, and for countries within the same general region as originally obligated, and have the Appropriations Committees of both Houses of Congress been properly notified? N/A
18. FY Continuing Resolution Sec. 541. If assistance is being made available to a PVO, has that organization provided upon timely request any document, file, or record necessary to the auditing requirements of A.I.D., and is the PVO registered with A.I.D.? N/A

3. Economic Support Fund Project Criteria

- a. FAA Sec. 531(a). Will this assistance promote economic and political stability? To the maximum extent feasible, is this assistance consistent with the policy directions, purposes, and programs of Part I of the FAA? Yes
- b. FAA Sec. 531(e). Will this assistance be used for military or paramilitary purposes? No
- c. ISDCA of 1985 Sec. 207. Will ESF funds be used to finance the construction, operation or maintenance of, or the supplying of fuel for, a nuclear facility? If so, has the President certified that such country is a party to the Treaty on the Non-Proliferation of Nuclear Weapons or the Treaty for the Prohibition of Nuclear Weapons in Latin America (the "Treaty of Tlatelolco"), cooperates fully with the IAEA, and pursues nonproliferation policies consistent with those of the United States? No
- d. FAA Sec. 609. If commodities are to be granted so that sale proceeds will accrue to the recipient country, have Special Account (counterpart) arrangements been made? N/A

SC(J) - STANDARD ITEM CHECKLIST

Listed below are the statutory items which normally will be covered routinely in those provisions of an assistance agreement dealing with its implementation, or covered in the agreement by imposing limits on certain uses of funds.

These items are arranged under the general headings of (A) Procurement, (B) Construction, and (C) Other Restrictions.

A. PROCUREMENT

- | | |
|---|--|
| 1. <u>FAA Sec. 602(a)</u> . Are there arrangements to permit U.S. small business to participate equitably in the furnishing of commodities and services financed? | Yes |
| 2. <u>FAA Sec. 604(a)</u> . Will all procurement be from the U.S. except as otherwise determined by the President or under delegation from him? | Yes |
| 3. <u>FAA Sec. 604(d)</u> . If the cooperating country discriminates against marine insurance companies authorized to do business in the U.S., will commodities be insured in the United States against marine risk with such a company? | N/A |
| 4. <u>FAA Sec. 604(e); ISDCA of 1980 Sec. 705(a)</u> . If non-U.S. procurement of agricultural commodity or product thereof is to be financed, is there provision against such procurement when the domestic price of such commodity is less than parity? (Exception where commodity financed could not reasonably be procured in U.S.) | No offshore procurement of agricultural commodities. |
| 5. <u>FAA Sec. 604(g)</u> . Will construction or engineering services be procured from firms of advanced developing countries which are otherwise eligible under Code 941 and which have attained a competitive capability in international markets in one of these areas? (Exception for those | N/A |

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countries which receive direct economic assistance under the FAA and permit United States firms to compete for construction or engineering services financed from assistance programs of these countries.)

6. FAA Sec. 603. Is the shipping excluded from compliance with the requirement in section 901(b) of the Merchant Marine Act of 1936, as amended, that at least 50 percent of the gross tonnage of commodities (computed separately for dry bulk carriers, dry cargo liners, and tankers) financed shall be transported on privately owned U.S. flag commercial vessels to the extent such vessels are available at fair and reasonable rates? No
7. FAA Sec. 621(a). If technical assistance is financed, will such assistance be furnished by private enterprise on a contract basis to the fullest extent practicable? Will the facilities and resources of other Federal agencies be utilized, when they are particularly suitable, not competitive with private enterprise, and made available without undue interference with domestic programs? Not used
8. International Air Transportation Fair Competitive Practices Act, 1974. If air transportation of persons or property is financed on grant basis, will U.S. carriers be used to the extent such service is available? Yes
9. FY 1988 Continuing Resolution Sec. 504. If the U.S. Government is a party to a contract for procurement, does the contract contain a provision authorizing termination of such contract for the convenience of the United States? Yes
10. FY 1988 Continuing Resolution Sec. 524. If assistance is for consulting service through procurement contract pursuant to 5 U.S.C. 3109, are contract expenditures a matter of public record and available for public inspection (unless otherwise provided by law or Executive order)? Yes.

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B. CONSTRUCTION

1. FAA Sec. 601(d). If capital (e.g., construction) project, will U.S. engineering and professional services be used? N/A
2. FAA Sec. 611(c). If contracts for construction are to be financed, will they be let on a competitive basis to maximum extent practicable? N/A
3. FAA Sec. 620(k). If for construction of productive enterprise, will aggregate value of assistance to be furnished by the U.S. not exceed \$100 million (except for productive enterprises in Egypt that were described in the CP), or does assistance have the express approval of Congress? N/A

C. OTHER RESTRICTIONS

1. FAA Sec. 122(b). If development loan repayable in dollars, is interest rate at least 2 percent per annum during a grace period which is not to exceed ten years, and at least 3 percent per annum thereafter? N/A
2. FAA Sec. 301(d). If fund is established solely by U.S. contributions and administered by an international organization, does Comptroller General have audit rights? N/A
3. FAA Sec. 620(h). Do arrangements exist to insure that United States foreign aid is not used in a manner which, contrary to the best interests of the United States, promotes or assists the foreign aid projects or activities of the Communist-bloc countries? Yes.

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4. Will arrangements preclude use of financing:
- a. FAA Sec. 104(f); FY 1987 Continuing Resolution Secs. 525, 538. (1) To pay for performance of abortions as a method of family planning or to motivate or coerce persons to practice abortions; (2) to pay for performance of involuntary sterilization as method of family planning, or to coerce or provide financial incentive to any person to undergo sterilization; (3) to pay for any biomedical research which relates, in whole or part, to methods or the performance of abortions or involuntary sterilizations as a means of family planning; or (4) to lobby for abortion? Yes
 - b. FAA Sec. 483. To make reimbursements, in the form of cash payments, to persons whose illicit drug crops are eradicated? Yes
 - c. FAA Sec. 620(q). To compensate owners for expropriated or nationalized property, except to compensate foreign nationals in accordance with a land reform program certified by the President? Yes
 - d. FAA Sec. 660. To provide training, advice, or any financial support for police, prisons, or other law enforcement forces, except for narcotics programs? Yes
 - e. FAA Sec. 662. For CIA activities? Yes
 - f. FAA Sec. 636(i). For purchase, sale, long-term lease, exchange or guaranty of the sale of motor vehicles manufactured outside U.S., unless a waiver is obtained? Yes

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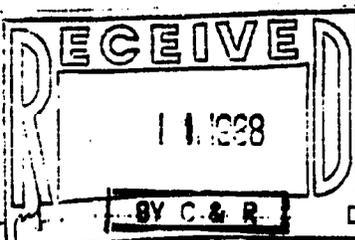
- g. FY 1988 Continuing Resolution Sec. 503. To pay pensions, annuities, retirement pay, or adjusted service compensation for prior or current military personnel? Yes
- h. FY 1988 Continuing Resolution Sec. 505. To pay U.N. assessments, arrearages or dues? Yes
- i. FY 1988 Continuing Resolution Sec. 506. To carry out provisions of FAA section 209(d) (transfer of FAA funds to multilateral organizations for lending)? Yes
- j. FY 1988 Continuing Resolution Sec. 510. To finance the export of nuclear equipment, fuel, or technology? Yes
- k. FY 1988 Continuing Resolution Sec. 511. For the purpose of aiding the efforts of the government of such country to repress the legitimate rights of the population of such country contrary to the Universal Declaration of Human Rights? Yes
- l. FY 1988 Continuing Resolution Sec. 516. To be used for publicity or propaganda purposes within U.S. not authorized by Congress? Yes.

ANNEX 10

ESF-VI: GOS Request for Assistance

5125P

REPUBLIQUE DU SENEGAL
UN PEUPLE - UN BUT - UNE FOI
MINISTRE DU PLAN
ET DE LA COOPERATION



N° 405403

PRM / AG
/M.P.C./DPFS.

Dakar, le

Le Ministre

8 URGENT

USAID/SENEGAL	
Date received	7/22
Project No.	
Activity	
Dis. Action Area	
Amount (US\$)	
Comments	

O B J E T : Demande d'assistance budgétaire dans le cadre du Programme de Subvention du Fonds de Soutien Economique VI (ESF-VI).

- ACTION
- PRM**
- INFO
- DIR
- DDIR
- EXO
- PRM
- ECU
- IWM
- Reg. Con.
- RLA
- ADO
- STDO
- FFP
- HMNO
- PDO
- SMO
- RIG
- CHRON
- Reading
- Embassy

Madame le Directeur,

Je vous confirme par la présente que le Gouvernement du Sénégal souhaite bénéficier du Programme de Subvention du Fonds de Soutien Economique VI (ESF-VI) constitué par le transfert de 9.700.000 dollars américains en faveur du Sénégal et d'une subvention de 300.000 dollars destinés à financer les études et l'assistance technique.

Comme pour les autres programmes ESF, les négociations entre les deux parties se feront sous l'égide du Ministère de l'Economie et des Finances.

Je vous prie de croire, Madame le Directeur, à l'assurance de ma considération distinguée.

A) Madame le Directeur
de l'USAID/Sénégal

D A K A R


 Pour le Ministre du
 Plan et de la Coopération
 par délégation
 Le Secrétaire Général

ANNEX 11

ECPR Guidance Cable on FY88 ESF-VI (88 STATE 143046)

5125P

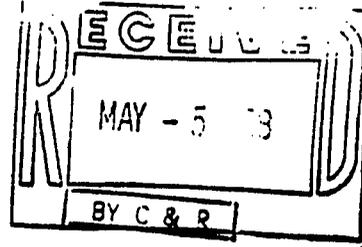
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STA. # 143046/01

PRM/4

ACTION: AID-2 INFO: AMB DCM RIG

VZCZCDK0573
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TO AMEMBASSY DAKAR 0076
BT



LOC: 250 698
05 MAY 88 0838
CN: 21322
CHRG: AID
DIST: AID

UNCLAS SECTION 01 OF 02 STATE 143046

AIDAC

E.O. 12356: N/A
SUBJECT: GUIDANCE FOR DEVELOPMENT OF FY 88 ESF VI PROGRAM

Action To :
Action taken : 5/20/88
Tel :
Other :
Date : 5/11

REFS: (A) DAKAR 01354; (B) DAKAR 03760

1. THE ECPR, CHAIRED BY DAA/AFR EL SAHERS, MET ON APRIL 14, 1988, TO REVIEW THE SUBJECT PAIP (REFS A AND B). THE PAIP WAS APPROVED BY THE ECPR AND MISSION AUTHORIZATION OF THE PROGRAM ASSISTANCE APPROVAL DOCUMENT (PAAD) IS APPROVED, SUBJECT TO THE GUIDANCE CONTAINED HEREIN.

2. RICE POLICY. THE ECPR DISCUSSED THE RELEVANCE OF CONTINUING WITH THE CURRENT POLICY OBJECTIVE OF DAMPING THE CONSUMPTION OF IMPORTED RICE. IN VIEW OF THE MISSION'S CONCLUSION THAT THE GOS NEEDS TO REDESIGN ITS RICE POLICY SO AS TO ADDRESS ITS INTERNAL INCONSISTENCIES, WE WONDER IF THE POLICY OBJECTIVE, AS STATED, STILL REFLECTS MISSION AIMS. MUCH OF THE ENSUING DISCUSSION CENTERED ON THE VARIOUS DISTORTIONS IN THE RICE SECTOR THAT RESULT WHEN THE GOS INSISTS ON MAINTAINING A HIGH PRODUCER SUPPORT PRICE. IN THE END, THE ECPR CONCLUDED THAT IF THE MISSION PREFERENCES TO MAINTAIN THE POLICY OBJECTIVE AS STATED (TO DAMPEN THE CONSUMPTION OF IMPORTED RICE), THE MISSION SHOULD BUILD INTO THE PAAD A DISCUSSION OF THE LARGER CONTEXT INTO WHICH THIS OBJECTIVE NOW FITS. THE ECPR ALSO CONCLUDED THAT A.I.D.'S REAL CONCERN SHOULD BE FOCUSSED ON THE INVESTMENT SIDE OF THIS ISSUE; I.E., WHAT KINDS OF INVESTMENT DO DISTORTIONS IN THE RICE SECTOR PROMOTE? WHAT KINDS OF INVESTMENT WILL THE NEW RICE POLICY TO BE DEVELOPED PROMOTE? TO WHAT EXTENT DOES/SHOULD RICE POLICY FOCUS ON PROMOTING INVESTMENT IN DOMESTIC RICE PRODUCTION OR INVESTMENT IN RICE SUBSTITUTES? IT WAS THE CONCLUSION OF THE ECPR THAT A.I.D. POLICY DIALOGUE SHOULD FOCUS ON THIS LARGER ISSUE.

3. OTHER POLICY OBJECTIVES: REDUCTION OF SUBSIDIES AND ENCOURAGEMENT OF PRIVATE SECTOR AGRO-INDUSTRY. DISCUSSION CENTERED ON THE PACE OF THE REFORMS UNDER THESE IMPORTANT POLICY OBJECTIVES. SPECIFICALLY, SOME COMMITTEE MEMBERS WERE CONCERNED THAT THE PROPOSED CONDITIONALITY DOES NOT GO FAR ENOUGH. SOME ALSO

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QUESTIONED WHETHER THE RESULTS OF THE ELECTION WERE SUCH THAT THE GOS MIGHT ATTEMPT TO SLOW DOWN THE PACE OF REFORMS. THE ECPR ACCEPTED THE MISSION'S PROPOSED CONDITIONALITY, AS AMENDED BY THE MISSION IN REF (B). IT REQUESTS THE MISSION TO INCLUDE A DISCUSSION IN THE PAAD OF THE ANTICIPATED EFFECTS OF EACH OF THE PROPOSED CONDITIONS VIS-A-VIS EACH OF THE REFORM OBJECTIVES. A NARRATIVE SIMILAR IN STRUCTURE AND CONTENT TO THAT PRESENTED IN REF (B), PARA. 4.A. FOR OBJECTIVE 2 (REDUCTION OF SUBSIDIES) SHOULD BE INCLUDED IN THE PAAD RELATING ALL OF THE CONDITIONS TO THEIR SPECIFIC OBJECTIVES.

4. UNFINISHED BUSINESS. THE ECPR DISCUSSED HOW THE MISSION PROPOSED TO CONTINUE TO SUPPORT THE POLICY REFORM AGENDA INITIATED UNDER THIS MULTI-YEAR EFFORT. CONCERN CENTERED ON THE PROPOSED CONDITIONS THAT APPEAR TO REQUIRE INTERMEDIATE STEPS TO ACHIEVING A REFORM AND NOT THE IMPLEMENTATION OF THE REFORM ITSELF. FOR EXAMPLE, WHILE THE REVISED RICE POLICY WILL HAVE BEEN FINALIZED, IT WILL NOT HAVE BEEN IMPLEMENTED. THE ACTION PLAN FOR DEALING WITH THE CSS ISSUE WILL BE IN DRAFT; IT WILL NOT HAVE BEEN FINALIZED OR IMPLEMENTED. OTHER ACTIONS ALSO APPEAR TO REQUIRE SOME FOLLOW-UP. THE ECPR CONCLUDED THAT THE MISSION SHOULD GET AGREEMENT WITH THE GOS ON WHAT THE ULTIMATE (OVERALL) OBJECTIVE OF THE CURRENT PROGRAM IS AND DESCRIBE IN THE PAAD THE SPECIFIC FOLLOW-UP ACTIONS REQUIRED TO ACHIEVE THAT OBJECTIVE. WHERE DO THE MISSION AND THE GOS EXPECT TO BE VIS-A-VIS THE REFORM AGENDA AT THE END OF THE PROGRAM? WHAT FOLLOW-UP OR ADDITIONAL ACTIONS WILL BE REQUIRED? THE PAAD WOULD, THUS, INCLUDE A DESCRIPTION OF THE STEPS THE MISSION PLANS TO TAKE TO ENSURE THAT THE GOS FOLLOWS UP ON THE REFORMS INITIATED UNDER THE CURRENT MULTI-YEAR PROGRAM. THIS COULD INVOLVE INCLUDING COVENANTS IN THE ESF VI AGREEMENT TO ENSURE FOLLOW-UP, ESTABLISHING A PLAN FOR FOLLOW-UP ACTIONS WITHIN THE WORKING GROUP CONTEXT, OR THE LIKE. THE MISSION MAY ALSO WISH TO CONSIDER HOLDING OFF ON THE DEVELOPMENT OF A NEW MULTIYEAR REFORM AGENDA UNTIL THE REFORMS INITIATED UNDER ESF IV, V, AND VI HAVE BEEN FULLY IMPLEMENTED. THIS SUGGESTS THAT ESF VII RESOURCES BE USED TO CONSOLIDATE REFORMS INITIATED UNDER THE EARLIER PROGRAMS. IN SUM, MISSION DECISIONS REGARDING FOLLOW-UP SHOULD BE FULLY DESCRIBED IN THE PAAD IN THE CONTEXT OF THE AGREED UPON, OVERALL PROGRAM OBJECTIVE.

5. CONCERNS. IN ADDITION TO THE ABOVE ISSUES, THE

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Best Available Document

UNCL. SECTION 22 OF 22 STATE 145046

FOLLOWING CONCLUSIONS WERE REACHED ON OTHER CONCERNS RAISED AT THE ECPR.

(A) REQUEST FOR POLICY REFORM AGENDA MATRIX. AS HAS BEEN THE MISSION'S PRACTICE, THE ESF VI PAAD SHOULD CONTAIN A POLICY MATRIX WHICH CLEARLY SHOWS THE POLICY REFORM AGENDAS OF EACH OF THE MISSION'S POLICY REFORM PROGRAMS (PL-483, ESF, AEPRP, AG. PRODUCTION SUPPORT) AND THE WORLD BANK'S POLICY REFORM AGENDA, ESPECIALLY THAT RELATED TO THE AGRICULTURE SECTOR. SPECIFIC REFORMS SUPPORTED UNDER EACH PROGRAM SHOULD BE GROUPED UNDER THE OBJECTIVES TO WHICH THEY CONTRIBUTE.

(B) ESF V COVENANT ON PRIVATIZING RICE IMPORTS. AS WAS DISCUSSED AT THE ECPR, THE COVENANT OF THE ESF V PROGRAM RELATED TO REINITIATING PRIVATE SECTOR RICE IMPORTS SHOULD PROBABLY BE ELIMINATED, SHELVED PENDING THE DEVELOPMENT OF A NEW RICE POLICY, OR RADICALLY ALTERED TO REFLECT MISSION PLANS. MISSION IS REQUESTED TO FULLY DOCUMENT ITS DECISION WITH RESPECT TO THIS COVENANT. WHEN THE ESF V AUTHORIZATION AND AGREEMENT AMENDMENTS ARE FORWARDED TO AFR/PD/SWAP, PLEASE ENSURE THAT THE ACTION MEMORANDUM DOCUMENTING THE MISSION DECISION IS INCLUDED.

(C) GUIDANCE RELATED TO SEPARATE AUTHORIZATIONS. PURSUANT TO RECENT FM AND GC GUIDANCE, AUTHORIZATIONS FOR ESF RELATED TECHNICAL ASSISTANCE AND CASH TRANSFER PROGRAMS ARE TO BE SEPARATE. IN THE FORMER CASE, A HANDBOOK 3 TYPE AUTHORIZATION IS REQUIRED (INCLUDING A PP FACESHEET). FOR THE LATTER, THE PAAD FACESHEET STILL SERVES AS THE AUTHORIZATION. TWO SEPARATE PROJECT NUMBERS SHOULD BE ASSIGNED. THE ACTION MEMORANDUM SHOULD CLEARLY DISTINGUISH THE TWO ACTIONS. A COPY OF THE FY 87 GAMBIA AEPRP AUTHORIZATION PACKAGE HAS BEEN POUCHED TO THE MISSION TO BE USED AS AN EXAMPLE.

6. PROGRAM WEEK DECISIONS RELATED TO ESF VI. IN ADDITION TO THE ABOVE, THE FOLLOWING TWO ISSUES WERE RAISED IN OTHER PROGRAM WEEK MEETINGS. BECAUSE THEY RELATE SPECIFICALLY TO THE AUTHORIZATION AND IMPLEMENTATION OF THE ESF VI PROGRAM, DECISIONS REACHED ARE CONTAINED HEREIN:

(A) EVALUATION OF ESF IV, V, AND VI. DURING PROGRAM WEEK, AGREEMENT WAS REACHED TO SCHEDULE THE PROPOSED EVALUATION OF THE ESF IV, V, AND VI MULTI-YEAR PROGRAM PRIOR TO FINAL DESIGN OF THE ESF VII PROGRAM. DECISIONS REGARDING THE CONTENT AND TIMING OF THE EVALUATION SHOULD BE INCLUDED IN THE ESF VI PAAD.

(B) ESF LOCAL CURRENCY FOR OE TRUST FUND. PER DISCUSSION HELD DURING PROGRAM WEEK CONSIDERATION OF MANAGEMENT ISSUES, MISSION IS REMINDED THAT THE ESF LOCAL CURRENCY OBTAINED THROUGH THE DISBURSEMENT MECHANISM DESCRIBED IN THE GC MEMORANDUM OPINION ISSUED JANUARY 27, 1988 (I.E., LOCAL CURRENCY RECEIVED AS A RESULT OF THE EXCHANGE OF US DOLLARS DEPOSITED WITH THE

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BCEAO IN ACCORDANCE WITH WAMU REGULATIONS) MAY NOT, REPEAT NOT BE UTILIZED BY THE MISSION FOR ADMINISTRATIVE OR OF TYPE EXPENSES.

7. SUBJECT TO THE GUIDANCE CONTAINED THIS CASE, THE MISSION MAY PROCEED TO FINALIZE THE PAAD AND THE MISSION DIRECTOR MAY AUTHORIZE IT. A COPY OF THE ECPR ISSUES PAPER HAS BEEN POUCHED TO THE MISSION FYI. THE FINAL AUTHORIZATION PACKAGE SHOULD BE RECEIVED IN AFR/PD/SWAP WITHIN TWO WEEKS OF AUTHORIZATION. SHULTZ

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M E M O R A N D U M

DATE: May 20, 1988 (revised June 9, 1988)

REPLY TO
ATTN OF: PRM:HLubell:mc

SUBJECT: Reaction to ECPR Guidance on FY88 ESF-VI

TO: Files

Ref: STATE 143046

cc: DDIR:GCarner

The ECPR, chaired by DAA/AFR E.L. Sainers, met on April 14, 1988 to review the ESF-VI Program Assistance Initial Proposal (PAIP). The ECPR approved the PAIP as well as Mission authorization of the Program Assistance Approval Document (PAAD) subject to the guidance contained in the ECPR review cable of May 5, 1988 (STATE 143046). We are taking account of that guidance in drafting the PAAD.

The discussion below reacts point by point to the guidance cable.

I. Issues

(A) Rice Policy

- Facts:

As a result of (a) the new reality created by the price changes announced in the speech of the President of Senegal on May 1, 1988 and (b) the relevant recommendation in the ECPR guidance cable, we are dropping the ESF-V theme of damping imported rice consumption. Instead, we are shifting our focus to encouraging crop diversification and low-cost cereals processing through the proposed new Agriculture Sector Grant, as a companion to ESF-VI.

The decision of the GOS to reduce the consumer price of rice from CFAF 160/kg to CFAF 130/kg severely reduces the price disincentive effect on consumption of rice. It also severely reduced the incentive to smuggling from the Gambia, which has been one of the contradictory results of GOS rice policy. Furthermore, with the world price for broken rice at its March 1988 level of \$298 per MT fob \$317 per MT c.i.f., the new consumer price completely eliminates the positive perequation on rice. The perequation will turn positive only if the world price declines after the 1988 Asian rice harvest.

The political significance of the rice price in the Dakar-Cap Vert urban area was clearly demonstrated by the outcome of the February 1988 presidential election and its immediate aftermath. The explosive reaction of the urban poor to the 1985 increase in the rice price was slow in coming:

Instead of leading to immediate street riots in 1985 (as feared at the time), the reaction smouldered until the 1988 elections and then burst out. With the rice price the symbol of urban discontent, the GOS decision to defuse the political situation was the now-standard politician's reaction, that of Sadat in Egypt in the 1970s and of Bourguiba in Tunisia in the 1980s, to reverse the earlier decision to raise the consumer price of the country's basic urban staple foodstuff. In Egypt and Tunisia, the decision was taken within days to call off the increase in the price of bread; in Senegal it took the GOS three years to reverse the decision to increase the price of rice.

If the world rice price continues to rise, the question still remains as to whether or not the GOS will once again subsidize the consumer price of rice.

- Constraints and Problems Identified:

For the GOS and for USAID/Senegal, cereals domestic policy has hitherto focused on domestic coarse grains and imported rice. The imminent inauguration of the post-Manantali ("après-barrage") period and the May 1, 1988 announcement of an 18.75 percent reduction in the consumer price for rice make it imperative to include irrigated rice in our cereals policy discussions. More information is needed on actual and potential production costs before we take any strong positions on the matter. In the meanwhile, we expect to see a discussion of rice production in the Senegal River Valley included in the study of rice policy called for under our ESF-VI conditionality.

- Recommendations:

The World Bank's earlier insistence on privatization of rice imports is an element of rice policy for Senegal that has been undermined (a) by the confusion and contradictions in the March-June 1987 experiment, (b) by the improvement in the functioning of the CPSP since it was taken away from the Ministry of Commerce and put under the direct control of the Ministry of Economy and Finance in 1984, and (c) by the latest developments in price policy. USAID/Senegal is dropping privatization of rice imports from its policy agenda. An action memorandum to that effect is attached to the PAAD as Annex 12.

- Possible Policy Revisions:

The GOS should review its commitment to irrigated rice cultivation as the center-piece of the post-Manantali development of the Senegal River Valley in the light of comparative cost considerations.

If the world price for broken rice does not fall after the 1988 Asian rice harvest, the GOS will have to review the present price set for sales to consumers in order to avoid the charge on the GOS Treasury of a negative perequation (subsidy) on rice.

- Expected Effects:

For the short term, we expect a reduction in rice smuggling from the Gambia as a result of the reduction in the consumer price of rice in Senegal.

For the medium term, we expect: (a) the GOS to revise its policy of subsidizing SAED rice through the CPSP's purchases from SAED (paddy sold to private sector millers by Senegal River Valley farmers is not subsidized by the CPSP); and (b) the GOS and the donors to review the economic viability of its rice project in Podor.

For the longer run, we expect increased emphasis on diversification to cash crops other than rice in the Senegal River Valley.

(B) Other Policy Objectives

Objective 2: Reduction of Subsidies

- Facts:

The CPSP perequation to the CSS on current sales of sugar was abolished as of October 31, 1987, but the CPSP still pays the subsidy on sugar used as an industrial input. Reductions in the consumer price of sugar were announced by the GOS on May 1, 1988. The CPSP subsidy on industrial use of sugar has reduced correspondingly. The GOS will have to start renegotiating its special agreement with the CSS during the coming year.

The reduction in the peanut procurement price from CFAF 90/kg to CFAF 70/kg announced on May 1, 1988 will lower the annual deficit of SONACOS by CFAF 8.0 billion (if peanut product exports are again equal to 400,000 MT of peanut equivalent). Further reductions in the deficit will have to come from reductions in operating costs of SONACOS. The audit now in process should provide clues on how to lower the enterprise's operating costs.

- Constraints/Problems Identified:

Problems identified include:

- lack of transparency of the accounts of CSS and SONACOS; and
- the still high procurement price for peanuts in the face of a low world market price for peanut products.

- Recommendations:

We are waiting for the results of the audits of CSS and SONACOS before formulating recommendations.

- Possible Policy Revisions:

In the case of the CSS, we expect that the CSS, instead of the CPSP, will be obliged to absorb the price differential on sugar supplied to industrial users.

In the case of SONACOS, we expect substantial decreases in operating costs (or at least in accounting costs) to come out of the audit and its accompanying management recommendations.

- Expected Effects:

Reduction in subsidies payable to the CSS and SONACOS by amounts to be identified after the audits are completed.

Objective 3. Encouragement of Private Sector Agro-Industry

- Facts:

Industrial rice milling in the Senegal River Valley is now one of SAED's high-cost activities which we presume could be made more economic by privatization. Privatization is now planned for the period of SAED's 4th lettre de mission (1990/91-1992/93).

Artisanal rice mills already process a good part of the 75 percent of Senegal River Valley paddy not purchased by SAED. The expected increase in economic activity in the Senegal River Valley in the post-Manantali period will provide opportunities for new agriculture-related private sector productive activities over the next five years.

The creation of efficient and relatively low-cost cereals processing facilities is necessary to make domestic coarse grain products (e.g. couscous, "riz de maïs") competitive with imported broken rice.

- Constraints and Problems Identified:

Constraints and problems include:

- postponement of privatization of SAED rice mills to the period of the 4th SAED lettre de mission;
- lack of a study to identify opportunities for private sector activities in the Senegal River Valley; and

- lack of progress in implementing plans to create pilot artisanal and semi-industrial cereals processing facilities called for in the medium term plan of the Common Fund.

- Recommendations:

Specific recommendations will emerge from the studies to be carried out under ESF-VI.

- Possible Policy Revisions:

We hope to speed up the process of privatization of SAED's activities in the Senegal River Valley.

It is not clear at this point whether the delay in implementing plans to develop artisanal and semi-industrial cereals processing has a policy aspect or whether lack of action is a function of Senegal's normal bureaucratic inertia.

- Expected Effects:

In the short run (i.e. by the end of U.S. FY89), we expect to see several cereals processing units installed and functioning.

In the medium term (i.e. by the end of U.S. FY91), we expect increased private sector activity in the Senegal River Valley. Since no statistical organization exists for identifying small enterprise activity, identifying increases in activity will necessarily be impressionistic and anecdotal.

(C) Unfinished Business: Overall Objective and Follow-up

- A. Overall Objective

We are reformulating the overall objective of ESF-VI as improved management of structural economic reform through (a) maximizing resources due to the GOS Treasury and (b) increasing the efficiency of resource allocation in the agricultural sector. Specific inputs to improved management of reform include continued functioning of the joint GOS-USAID Working Group on Policy Reform set up under ESF-V and the further studies to be generated under ESF-VI. Specific inputs to increasing efficiency of resource allocation in the agricultural sector include:

- clarification of GOS rice policy, including price, imports, and domestic production (which will entail close examination of the costs of rice production under irrigation in the Senegal River Valley);
- encouragement of maize production and marketing;
- development of low-cost processing of coarse grains;

- privatization of rice milling in the Senegal River Valley;
- review and adjustment of the floor support price for coarse grains.
- B. Follow-Up Actions

USAID/Senegal will focus on three sets of follow-up actions concerning resource allocation in the agricultural sector: (a) adherence to a coherent rice policy; (b) processing of coarse grains; and (c) development of production of maize in high rainfall areas of Southern and Southeastern Senegal and the promotion of an internal market for maize. These will be proposed by USAID/Senegal as the theme of a Development Fund for Africa (DFA) sector support grant.

1. Rice Policy

Now that the consumer price for imported broken rice has been lowered to a level commensurate with the world market price as of March 1988, the Mission will insist that the GOS refrain from subsidizing rice if the world price rises beyond the break-even (zero perequation) point for the CPSP with the consumer price at CFAF 130/kg - i.e., that at that point the administered consumer price should be raised pari-passu with the world price, while limiting import licenses for rice (or CPSP purchases if the CPSP remains the sole buyer) to 320,000 MT.

The Mission will weigh in with the other donors to limit their investment projects in irrigated rice production to areas with the potential to produce rice at a cost not to exceed the present (May 1988) peak world price of \$350/MT cif for long grain rice (or some other reasonable target to be determined). The same criterion will be applied to USAID/Senegal's Irrigation and Water Management project at Bakel (685-0280).

2. Processing of Coarse Grains

The Mission will follow closely implementation of the Common Fund program for cereals processing and will provide technical assistance where need is indicated.

3. Maize

On the production side, the Mission will include high yielding maize as a theme of its proposed Strengthening Agricultural Research project (685-0235).

In an effort to expand the domestic market for maize, the Mission will urge the use of imported maize to assure an adequate and regular supply for milling and thus provide one of the prerequisites for expanding the supply of commercial maize products (e.g. riz de maïs) that will develop consumer acceptability for maize in competition with rice. At the same time, the Mission will examine the desirability and feasibility of a GOS perequation tax on imports of EEC-subsidized maize (in parallel with the perequation on imported wheat).

- C. Implementation

A plan for follow-up actions to the ESF-VI will be established within the context of the GOS-USAID Working Group on Policy Reform.

- D. Funding

We intend to propose funding out of the African Development Fund (rather than ESF-VII) for carrying out the follow-up actions outlined above.

II. Concerns

(A) Policy Reform Agenda Matrix

Our policy reform agenda matrix is included in the PAAD as Annex 4.

(B) ESF-V Covenant on Privatizing Rice Imports

The Mission's decision is to eliminate the covenant on privatization of imports. An action memorandum to that effect will be attached to the PAAD as Annex 1 as mentioned above.

(C) Separate Authorizations for Cash Transfer and Technical Assistance/ Studies

We will use a PAAD face-sheet for the cash transfer and a PP face-sheet for the technical assistance and studies component, as requested by AID/W.

III. Program Week Decisions

(A) Evaluation of ESF IV, V and VI

An evaluation of the 3-year ESF is scheduled for FY89.

(B) ESF Local Currency Not to be Used for OE

The prohibition of use of ESF local currency for OE is noted.

ANNEX 13

Action Memorandum

4977P

ACTION MEMORANDUM FOR THE DIRECTOR USAID/SENEGAL

FROM: Harold Lubell, Program Officer

SUBJECT: Senegal FY 1988 Economic Support Fund (ESF-VI) Program Grant (685-0290/685-K-607) and Project Grant (685-0296/685-K-608)

DATE: November 10, 1988

I. Problem

Your approval is requested for a Structural Adjustment Program Grant of \$10,000,000 to Senegal from Section 531 of the Foreign Assistance Act of 1961, as amended, Economic Support Fund (ESF) appropriation, consisting of: (a) a cash transfer of \$9,700,000 to be disbursed in two separate tranches (\$5,000,000 and \$4,700,000) when conditions precedent to each disbursement have been met; and (b) a project grant of \$300,000 for studies and technical assistance in support of structural adjustment measures being undertaken by the GOS. Total life of program funding of \$10,000,000 will be obligated in FY 1989. The cash transfer will provide direct budgetary support to the Government of Senegal (GOS).

II. Discussion

A. Program Description and Purpose

The purpose of this program is to assist Senegal in attaining economic stability and in maintaining political stability while promoting structural reforms needed to redress the underlying problems of the economy.

The need for program assistance to Senegal will continue through FY 1989. Based on the most recent figures of the IMF, the total financing requirements of the GOS on current and capital budgets from internal and external sources for GOS FY 1988/89 are estimated to be FCFA 34.8 billion or \$124.3 million (at \$1= 280 CFAF). Senegal has compiled a solid record of implementing policy changes over the past four years but the need for hard structural adjustment continues. The Mission is supporting these efforts through a multi-year ESF program. Fruitful coordination based on inter-related conditionality has been established among the principal donors to Senegal: IMF, France, World Bank, and USAID. The purpose of this coordination is to reduce the dominance of the GOS in the economy. The results of coordination have been evident over the past four years, during which the GOS has undertaken a series of politically and socially sensitive reforms.

The ECPR held in Washington on November 27, 1985 to review the Program Assistance Initial Proposal (PAIP) for the ESF-IV program concurred that the ESF program should maintain a multi-year focus as a basis for developing a long-term approach with the GOS aimed at resolving Senegal's structural problems, but that the program would be based on annual and separate authorizations. Assuming that funding levels remain under \$20.0 million, AID/Washington preference was to continue authorization of future PAADs in the

field in accordance with DOA 551, revised. However, the USAID would submit, by cable, an annual progress report at the conclusion of each USG fiscal year. This report would (1) describe GOS performance in implementing the previous year's conditions and covenants, (2) set forth conditionality that appears likely for the coming year and (3) discuss plans for changes in the program's long-term objectives compared to what was contemplated in the current year's PAAD. Last year's program (ESF-V) followed that scenario.

This year's reporting cable (Dakar 01354) was sent as a PAIP for ESF-VI on February 5, 1988. An AID/W review committee (RC) met on February 22, 1988 to identify issues for subsequent ECPR review of the PAIP. The RC's reporting cable (State 086938) requested further information, which USAID/Senegal provided on April 1, 1988 in Dakar 03760. An AID/W ECPR meeting held on April 14, 1988 concluded that the request cable satisfied the PAIP requirement and instructed the Mission to proceed with PAAD development, approval and authorization subject to guidance contained in 88 State 143046 (see Annex 10 of the ESF-VI PAAD).

The USAID has determined that the cash transfer mechanism for the bulk of the grant is the most appropriate manner by which to achieve the program purpose. Upon certification by the Mission Director that the GOS has met the conditions precedent to each disbursement, the funds will be disbursed in accordance with mutual GOS and U.S.A.I.D. agreement. Part of the grant will be reserved for studies and technical assistance related to structural adjustment.

It is anticipated that the GOS will employ local currencies made available in the context of this ESF program to stimulate growth in the economy through reimbursement of GOS arrears to the private sector.

B. Financial Summary

Life of program funding of \$10,000,000 for ESF-VI is to be fully obligated. Of this amount, \$9,700,000 will be a cash transfer, for which the attached PAAD has been prepared. The cash transfer will be disbursed in two separate tranches (\$5,000,000 and \$4,700,000). The other \$300,000 will be reserved for studies and technical assistance related to structural adjustment, for which the attached separate project authorization and project paper (PP) face sheet have been prepared.

C. Analyses

1. Economic

Senegal has had three years of recovery (1985/86 - 1987/88) from an economic crisis of unprecedented dimensions stemming from the coincidence of a catastrophic series of droughts over the periods 1969-1973 and 1979-1984, declines in the world price of peanuts and phosphates, OPEC-mandated rises in energy prices of 1973 and 1979, labor laws and business monopoly practices that stifle potential industrial growth, a rapid increase in population, and a

panoply of counter-productive economic policies developed over the quarter century since independence.

The economic crisis has been well documented and analyzed in a series of USAID/Senegal and other donor documents. These analyses laid the foundation for a coordinated program of donor assistance whose purpose is to stabilize Senegal's economy and stimulate economic growth.

The AID/Washington ECPR approved on November 27, 1985 the Program Assistance Initial Proposal (PAIP) which contained the basic macroeconomic and agricultural justifications for a three-year series of ESF structural adjustment program grants.

The Mission Project Committee (PC) subsequently found that the economic analysis contained in the FY 1986 ESF-IV Program Assistance Approval Document (PAAD) satisfactorily justified the need for this program. The Mission PC reviewed the up-date of the economic analysis contained in the attached FY 1988 ESF-VI PAAD and found that the justification still holds.

2. Reform Package

The policy reforms associated with this program are concerned with reducing the dominance of the GOS in agriculture. The reforms represent a continuation of USAID interests in the sub-sectors of rice import operations, price equalization, and provision of agricultural inputs that began with the initial ESF program in FY 1983.

The policy reform themes of ESF-VI are (a) maximizing resources available to the GOS Treasury from agro-industry and (b) increasing the efficiency of resource allocation in the agriculture sector. To facilitate the USAID's policy dialogue with the GOS, the GOS-USAID Working Group on Policy Reform will continue to meet on a regular (quarterly) basis.

GOS performance in implementing this reform package will be reviewed before decisions regarding future ESF programs for Senegal are made.

3. Human Rights

Senegal is a functioning democracy and no issues exist with respect to human rights.

D. Conditions Precedent (CP) and Covenants

The \$9,700,000 ESF-VI program grant cash transfer is conditioned on the implementation of a series of policy change conditions described in Section V of the ESF-VI PAAD.

In addition to the policy change conditionality, the GOS will establish a special account in the Central Bank and deposit therein currency of the GOS in amount equal to disbursements of the cash transfer under the grant. Funds in the special account may be used for budget purposes mutually agreed upon by A.I.D. and the GOS.

E. Implementation Plan and Accounting Procedures

1. Cash Transfer

Once the Grant Program Assistance Agreement (GPAA) and Financing Request are signed and evidence has been provided that all CPs have been met, the Mission will cable a Financing Request to AID/W. M/FM/PAFD will then schedule payment through the Federal Reserve Electronic Funds Transfer System to the appropriate account of the GOS in the Citibank, New York.

A disbursement of equivalent local currencies will be made with the mutual consent of the GOS and A.I.D.. A letter from the USAID Mission Director to the GOS will constitute A.I.D. consent to use and timing of fund disbursements.

Details on the transfer mechanism and accounting procedures are set out in the Memorandum of Agreement between the GOS and USAID/Senegal on ESF cash transfers dated September 24, 1987 (AID/PRM/87-69), and in the AFR Bureau's January 1, 1988 guidance on ESF cash transfer assistance for Senegal (88 State 000431). The procedures set forth in the Memorandum of Agreement have been incorporated fully into the provisions of the Program Grant Agreement.

2. Project Grant

The technical assistance to be funded by a project grant under ESF-VI is primarily to carry out studies related to fulfilment of the conditionality outlined in the ESF-VI PAAD. The first study will examine the modalities and timing for the disengagement of SAED, a government rural development agency, from milling and marketing of rice in the Senegal River Valley in order to increase the incentives to increased paddy production and private sector involvement in rice milling and marketing. The second study will examine ways to expand private agro-industry in the Senegal River Valley. The purpose of both studies is to increase the efficiency of resource allocation through an expanded role for the private sector. The grant also provides funds for additional technical assistance and studies required to supply information relevant to continued policy reform as outlined in the conditionality included in the ESF-VI PAAD.

F. Major Implementing Agencies

Management of the cash transfer will be the responsibility of the GOS Ministry of Economy and Finance and the Central Bank of Senegal. Management of the project grant will be the responsibility of USAID/Senegal in cooperation with the GOS Ministry of Economy and Finance.

A.I.D. officers responsible for the implementation of this ESF-VI grant are:

Mr. Harold Lubell
USAID/Senegal

Mr. Barry Burnett
AFR/PD/SWAP

III. Waivers

There are no waiver requests contained in this program.

IV. Justification to Congress

A Planned Program Summary Sheet for this ESF Program was contained in the FY 1988 Congressional Presentation, Annex I, Africa, page 297. Notification has been prepared and sent to the Congress on June 7, 1988 and expired on June 22, 1988 without objection.

V. Clearances

The AID/Washington ECPR held on April 14, 1988 to review the PAIP for the ESF-VI grant was chaired by DAA/AFR, E.L. Sakers. The ECPR approved the PAIP and delegated authorization of the PAAD to the Mission Director USAID/Senegal, subject to the guidance contained in 88 State 143046.

The Mission Program Committee has concluded that the ESF-VI PAAD be forwarded to the Director USAID/Senegal for authorization.

VI. Recommendation

That you sign (a) the attached Program Assistance Approval Document (PAAD) facesheet and thereby approve life of program funding of \$9,700,000 for the cash transfer component of the FY88 Senegal ESF Program, 685-0290/685-K-607, and (b) the attached project authorization and project paper (PP) facesheet and thereby approve life of project funding of \$300,000 for the studies and technical assistance component, 685-0296/685-K-608.

Approved _____

Disapproved _____

Date _____

Attachments

- ESF-VI PAAD
- ESF VI Project Authorization
- ESF-VI Project Paper Facesheet

Clearances

LEG:EDragon _____
 PDO:DMyers _____
 RCON:TWalsh _____
 ADO:WNilsestuen _____